



EIM Governance Review Committee

Draft Straw Proposal

July 31, 2020

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GLOSSARY OF ABBREVIATIONS

Abbreviation	Description
AWEA	American Wind Energy Association
Board	Board of Governors of the California ISO
BOSR	Body of State Regulators
BPA	Bonneville Power Administration
Chelan	Chelan County Public Utility District
CAISO	California Independent System Operator
CMUA	California Municipal Utilities Association
CPUC	California Public Utilities Commission
DMM	Department of Market Monitoring
EDAM	Extended Day-Ahead Market
EIM	Energy Imbalance Market
EIM Entities ¹	Arizona Public Service Company, Avista Corporation, Balancing Authority of Northern California, Bonneville Power Administration, Idaho Power Company, City of Los Angeles Department of Water and Power, NV Energy, PacifiCorp, Portland General Electric Company, Powerex Corp., Public Service Company of New Mexico, Puget Sound Energy Inc., Salt River Project, Seattle City Light, Tacoma Power, Turlock Irrigation District and Northwestern Energy
Governing Body	EIM Governing Body
GRC	Governance Review Committee
ISO	Independent System Operator
MSC	Market Surveillance Committee
NVE	NV Energy
NRU	Northwest Requirement Utilities
OME	Outside Market Expert
PG&E	Pacific Gas and Electric
PGP	Public Generating Pool
PIO	Public Interest Organization
PPC	Public Power Council
PPU	Public Power Utilities
PMA	Federal Power Marketing Agency
POU	Publicly Owned Utility
RTO	Regional Transmission Organization
SCE	Southern California Edison
Six Cities	Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California

¹ This is a list of EIM entities that offered joint comments on the EIM Governance Review Committee January 29 Scoping Paper.

DOCUMENTS CITED

Reference	Document
Bylaws	The California ISO corporate bylaws, available at http://www.caiso.com/Documents/ISOCorporateBylaws_amendedandrestated_.pdf
Charter	Charter for Energy Imbalance Market Governance, March 27, 2019 (version 1.3), available at https://www.westerneim.com/Documents/CharterforEnergyImbalanceMarketGovernance.pdf
Guidance Document	Guidance for Handling Policy Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body, March 27, 2019 (version 1.1), available at https://www.westerneim.com/Documents/GuidanceforHandlingPolicyInitiatives-EIMGoverningBody.pdf
Scoping Paper	EIM Governance Review Committee January 29, 2020 Scoping Paper, available at https://www.westerneim.com/Documents/ScopingPaper-EIMGovernanceReviewCommittee.pdf
Selection Policy	Selection Policy for the EIM Governing Body (as adopted) Version # 1.1, available at https://www.westerneim.com/Documents/SelectionPolicy_EIMGoverningBody.pdf
Tariff	CAISO FERC approved tariff, available at http://www.caiso.com/rules/Pages/Regulatory/Default.aspx

I. Introduction

The GRC is an advisory committee charged by the Board and the Governing Body with developing proposed refinements to the current governance of the EIM. The Board and the Governing Body asked the GRC to lead a public stakeholder process on EIM governance that will culminate in a proposal the GRC will submit to the Board and the Governing Body for their consideration.²

The GRC commenced its work with its Scoping Paper, issued in January of this year, which sought input on the issues the GRC should address, and where applicable, substantive proposals about what changes should be made. As expected, the stakeholder input received on that paper was extensive and robust, with a diverse set of stakeholder groups from throughout the West providing detailed comments on the various topics identified in the paper.³

With the benefit of that input, the GRC has now prepared this paper, which sets forth a straw proposal for further stakeholder input and consideration. As contemplated by the GRC charter, our proposals consider what changes to make under either the current market structure (the “EIM-only” scenario) or under a scenario in which a day-ahead market is added to the current EIM market structure (the “EDAM” scenario).

The goal of this paper is to advance the process by identifying a set of recommendations on the key topics raised by stakeholders in their prior comments.

The proposal is meant to be a catalyst for obtaining another round of more focused stakeholder comments that specifically address the pros and cons of each recommendation. The GRC’s next step will be to develop a revised straw proposal that considers the input we receive from stakeholders on this paper. Our goal is to complete this process and publish a draft final proposal by the first quarter of 2021.

The next section of this paper (Section II) describes the process the GRC has followed to develop its proposed recommendations, certain principles we have developed to guide our work, and factors we are using to evaluate the various alternatives. Section III sets forth each of the major issue areas the GRC identified in its Scoping Paper, discusses the comments we have received in each area, and presents our proposed recommendations for potential governance changes. For ease of reference, we have also provided a

² The Board and EIM Governing Body approved a Charter for the GRC that sets forth its role and scope of work, which is available at <https://www.westerneim.com/Documents/EnergyImbalanceMarketGovernanceReviewCommitteeCharter.pdf>. The members of the GRC are set forth on the Western EIM website at <https://www.westerneim.com/Pages/Governance/GovernanceReviewCommittee.aspx>.

³ There were 16 sets of stakeholder comments, which are available at <https://www.westerneim.com/Pages/documentsbygroup.aspx?GroupID=D0B1BA2A-63F0-4A29-900F-0AE5561457CE>.

summary of those recommendations in Section IV, followed by an overview of next steps and the procedural schedule in Section V.

We also include an Appendix, for reference purposes. Appendix A is a summary developed by ISO legal counsel that discusses certain provisions of the California Corporations Code and federal tax law that we have considered in developing the proposals outlined in this paper. This legal background is particularly relevant for our proposals relating to the delegation of authority to the Governing Body and the durability of that delegation. Appendix B includes details about the groups at other ISOs and RTOs for state regulators, similar to the BOSR. This information is additional background for the proposal that the BOSR receive funding to support increased involvement in CAISO policy initiatives.

II. The Governance Review Committee Initiative

A. Work to-date to Develop Draft Straw Proposal

As discussed at the May 5 public meeting, the GRC established four smaller working groups of GRC members to address the issues raised by stakeholders in comments on the January 29 Scoping Paper. Each group covered a set of topics that generally aligned with the topic categories established in the Scoping Paper. This approach allowed a smaller group of members to delve more deeply into all of the stakeholder comments on each main topic, discuss in depth potential alternatives, and develop preliminary recommendations for consideration by the broader GRC on each of the topics covered in this paper.

Through an iterative process with the working groups, the GRC as a whole discussed and considered each of these topics and ultimately arrived at the preliminary proposals set forth in this paper.

B. Principles Adopted to Guide the GRC

One of the GRC working groups focused on developing a set of general principles that the GRC will use to guide its work. The GRC undertook this effort to ensure that the GRC members have a clear and common understanding of what we are attempting to accomplish and how we will perform our work.

These guiding principles, which we presented at the May 5 public meeting, begin with a single overarching guiding principle, followed by a set of more specific principles that provide additional detail.

The overarching principle states that the GRC shall:

- Ensure that any modifications to the governance of the EIM (and future EDAM) provide stakeholders throughout the West with confidence that the governance structure represents the market as a whole, broadly respects and considers the

interests of all stakeholders, and is resilient under a wide range of market conditions.

The more specific principles state that the GRC shall:

- Focus exclusively on issues relating to governance of the EIM and a potential EDAM.
- Seek, where possible, to build upon and refine the existing EIM structure rather than recommending a completely new model.
- Ensure modifications to the governance structure are consistent with the requirements of the CAISO's status as a nonprofit public benefit corporation and any applicable legal requirements.
- Ensure modifications to the governance structure are consistent with the CAISO's Board of Governors' corporate legal obligation to govern, oversee, and manage the affairs of the corporation.
- Ensure that any modifications or enhancements to the Governing Body's role in the current governance structure will promote confidence and support among stakeholders throughout the region in the successful operation of the EIM and potential EDAM.
- Ensure transparency in its process by conducting all meetings in conformance with the CAISO bylaws and Open Meeting Policy.

There is consensus among that the GRC members that adhering to these high-level principles will help to ensure a successful outcome for our effort.

C. Factors to Consider in Assessing Alternatives

The GRC has identified factors to consider in connection with evaluating the various alternatives before it. These factors are:

- Whether the alternative aligns with the GRC Principles set forth above;
- The level of resources an alternative may require or any complexity it may introduce;
- The level of stakeholder support for the proposal;
- Whether the alternative is needed for EIM only or EIM/EDAM; and
- Any additional legal or regulatory considerations.

Where applicable, the paper discusses how one or more of these factors may have influenced the GRC's proposed recommendation.

III. Discussion and Preliminary Recommendations for Governance Modifications

Issue 1: The Delegation of Authority for Market Rules to the Governing Body, the Decisional Classification Process, and Durability

A. Background

A core group of issues for EIM governance is what role the Governing Body plays in approving policy initiatives that would change market rules embodied in the CAISO tariff, how that role is shared with the Board, and the classification process used to identify the initiatives that fall within the Governing Body’s approval authority. This overall topic is commonly called the delegation of authority and the decisional classification process.

As explained in the Scoping Paper, there are two main aspects of the current delegation of authority:

- The scope of market rules that are within the Governing Body’s authority to approve (i.e., its “scope of approval authority”); and
- The manner in which the Governing Body’s approval authority is shared with the Board (i.e., the “type of shared authority” held by the Governing Body).

The current scope of the Governing Body’s approval authority is limited to any changes to real-time market rules that are EIM-specific, meaning that they apply uniquely or differently to EIM balancing authority areas, or any changes to generally applicable real-time market rules where the primary driver for the change is an issue specific to the EIM balancing authority areas. In addition to its approval authority, the Governing Body also has an advisory input role for all other real-time market rules or rules that generally apply to participation in all CAISO markets.

For matters within the Governing Body’s approval authority, the type of shared authority the Governing Body currently holds is called “primary authority” – which means the matter comes first to the Governing Body for approval and, if approved, then goes on the Board’s “consent agenda” for approval or, if necessary, for further consideration by the Board.⁴ The Board may, by majority vote, decide to remove a matter from the consent

⁴ The Governing Body’s scope of approval authority, its advisory role, and the type of shared authority it holds are set forth in more detail in the Charter.

agenda if it decides the matter warrants its further review, in which case its decision whether to approve the matter is also subject to a majority vote.⁵

The GRC has considered, and as discussed below proposes certain changes to, both the scope and type of the Governing Body's approval authority.

The Scoping Paper also described, and sought stakeholder comment on, the decisional classification process. As explained in that paper, this is the iterative process the CAISO follows as part of its public stakeholder process to identify and ultimately establish which policy initiatives are subject to the Governing Body's primary authority or advisory input.⁶ As discussed below, we do not propose any changes to this process at this time, though we do solicit further stakeholder input on this topic.

We also address at the end of this section of the paper the closely related, and equally important, issue of how to establish durability for the delegation of authority and the decisional classification process.

B. Summary of Comments

There were numerous and varied stakeholder comments regarding the delegation of authority, addressing both the scope and the type of authority that should be delegated to the Governing Body. Unlike other topics, nearly all of the commenting stakeholders made recommendations in this area, and both the scope and depth of the comments demonstrate that this is a central issue for our consideration.

Many stakeholders commenting on the scope of authority support a significant expansion to the Governing Body's approval authority, so that it would cover all or most real-time market rules in the EIM-only context, as well as all or most day-ahead market rules if EDAM is implemented.⁷ There are, however, some stakeholders who appear to have reserved judgment on this issue,⁸ and others who believe the current scope of delegation of authority is appropriate for EIM and should be expanded only if EDAM is

⁵ The Board has not to date exercised its authority to remove any such matters from the consent agenda and has instead approved on a consent agenda basis all matters that have received the EIM Governing Body's approval.

⁶ The decisional classification process is set forth in detail in the Board-approved Guidance Document.

⁷ See AWEA Comments at 2, BOSR Comments 5-6, BPA Comments at 2-3, EIM Entities' Comments at 2 & Attachment (Straw Proposal) at 7; NV Energy Comments at 1; PGP Comments at 2-4, PIO Comments at 1-4, PPC/NRU Comments at 2-3, 6.

⁸ See CMUA Comments at 1-2, SCE Comments at 1-2.

implemented.⁹ One commenter believes the current scope of delegation should remain unchanged with or without EDAM,¹⁰ and one commenter recommends exploring more fundamental changes that would create a new regional body with decisional authority over governance.¹¹

There is also considerable support for trying to establish a more “bright line” or at least less complex and more objective set of rules for identifying those matters where the Governing Body has approval authority,¹² though the comments vary on how that should be accomplished and where the line should be drawn. These comments tend to focus on the challenge and complexity inherent in making such determinations under the current approach, which involves unavoidably subjective determinations about the “primary driver” for proposed changes to real-time market rules and in most cases involves changes that will have some impact on the market as a whole.

The stakeholders who support expanding the scope of the Governing Body’s authority generally observe that this approach provides the greatest level of authority over market rules that will impact the broad geographic EIM/EDAM footprint, while also maintaining the Board’s authority to review and reject any proposals. Those who support maintaining the current scope of authority or making changes only if EDAM is adopted generally believe that the current process is working well and thus question the need to change it.

The stakeholder comments on the “type of authority” the Governing Body should hold were likewise varied and, if anything, more disparate. Some commenters generally support retaining the current “primary authority/consent agenda” construct,¹³ while others support or at least do not oppose moving to a “joint authority” model for some or all matters where the two bodies share an approval role.¹⁴ Some also recommend a model under which some topics are approved using a joint approval model, while other topics

⁹ See CPUC Energy Division Staff Comments at 1-2, PG&E Comments at 1-3; Six Cities’ Comments at 1.

¹⁰ See CPUC Public Advocates Office Comments at 1.

¹¹ See Chelan PUD Comments at 7-9.

¹² See AWEA Comments at 2, BOSR Comments at 5-6, CMUA Comments at 2, CPUC Energy Division Staff Comments at 2, PG&E Comments at 2, PIO Comments at 2-3, SCE Comments at 1-2.

¹³ See CPUC Public Advocates Office Comments at 2, PGP Comments at 4, PPC/NRU Comments at 2-3, 6.

¹⁴ See BOSR Comments at 5-6, CMUA Comments at 2, PIO Comments at 3-4, Six Cities’ Comments at 1.

would be within sole or primary authority of either the Board or the Governing Body to approve.¹⁵

Although the commenters for the most part have not proposed much detail about how a joint authority model would function, the general concept set forth in such proposals is that both the Governing Body and the Board would formally vote to approve any proposals that are subject to their joint authority.

The stakeholder comments on the process for reaching decisional classifications were much more limited than the comments on delegation of authority. There were fewer stakeholder comments on this topic overall – six in total – and those that commented either expressed support for the current process or recommended only modest changes.

Specifically, one commenter recommended that the process remain unchanged, observing that it is open and transparent because it gives stakeholders opportunities to provide input on the classification determination and includes quarterly public reporting to the Governing Body on the status of the classification determination for each initiative.¹⁶ Another supported regular reporting of preliminary classification determinations to the Governing Body, but suggested that it may be helpful for staff to withhold from making an initial classification determination in a stakeholder proceeding until after receiving initial input from stakeholders.¹⁷ A third commenter recommended that CAISO staff continue to provide clear initial classification recommendations for stakeholders to consider in each policy initiative, but suggested that input from any advisory committees that may be established also should be considered to determine the preliminary classification.¹⁸

Finally, three stakeholders offered comment on the dispute resolution process that would be used if the Chairs of the Board and the Governing Body were to disagree on the decisional classification proposed by CAISO staff in its final paper. In that circumstance – which has never come to pass – the process currently calls for a joint meeting of both bodies to consider together what the classification should be, with the decision made by a majority vote of the combined bodies. If there is a tie vote, the tie is broken by the Chair

¹⁵ See AWEA Comments at 2, BPA Comments at 3-4, EIM Entities Comments at 2 & Attachment (Straw Proposal) at 7-8, NV Energy Comments at 1, PG&E Comments at 2.

¹⁶ See CPUC Public Advocates Office Comments at 2.

¹⁷ See AWEA Comments at 2.

¹⁸ See BPA Comments at 5.

of the Board. One stakeholder offers support for retaining this approach,¹⁹ while two others recommend eliminating the provision that allows the Board Chair to break a tie.²⁰

C. GRC Proposal on Delegation of Authority and Decisional Classification Process

As the stakeholder comments reflect, there are various shared decision-making models that could be viable and warrant consideration. After carefully considering each of them, the GRC has determined that the best approach would be to substantially expand the scope of authority that the Governing Body currently holds for EIM and broadly define the authority for EDAM, while also moving to a joint authority model for the decisions that fall within its expanded authority.

This approach, as we discuss in more detail below, should promote a closer and more collaborative relationship between the Governing Body and the Board, while ensuring the most diverse input on matters relevant to the market rules for EIM and, if applicable, EDAM. Our proposal is also based on a recognition that the EIM is deeply intertwined with, and inseparable from, all other aspects of the real-time market, that this integration has continued to increase as the EIM has grown, and if EDAM is implemented will expand to the day-ahead market as well.

D. Scope of Authority

With respect to scope of authority, we more specifically propose adding to the Governing Body's existing approval authority all of the rules over which it currently holds only an advisory role. Thus, in the EIM-only context, the Governing Body's affirmative approval would be required for any and all proposed changes to the design of or market rules governing the CAISO's real-time market (including all EIM-specific rules). This authority also would include any proposed changes to tariff rules that apply generally to participation in all CAISO markets and for all market participants, such as rules governing credit, settlements and billing.

If EDAM is implemented, the Governing Body approval authority would be further expanded to include any proposed changes to the design or market rules governing the CAISO's day-ahead market. The GRC also recommends that the EIM Governing Body be provided decision authority over any EDAM market design, thereby formally recognizing CAISO management's current proposal in the ongoing EDAM initiative to bring the EDAM market design to both the Board and the Governing Body for their joint approval.

¹⁹ See SCE Comments at 2.

²⁰ See PGP Comments at 5, PPC/NRU Comments at 7.

We propose this expansion of authority both to recognize and facilitate the ongoing growth of the EIM and to provide a stable foundation for its further growth and, if applicable, the implementation of EDAM.²¹

As noted above, the overarching principle we have identified for our work is to ensure that stakeholders throughout the West have confidence that the governance structure represents the market as a whole, considers the interests of all stakeholders, and is resilient. In the EIM-only context, providing the Governing Body with a shared approval role over all real-time market rules promotes this objective by ensuring that any changes to the real-time market have broad enough support to be approved by both the Governing Body and the Board. This ensures that all stakeholder interests will be fully considered for all changes, which should promote stakeholder confidence in EIM and lay a strong foundation for any future EDAM.

This change also has the benefit of establishing a rule that is less complex to administer than the current approach. The CAISO's tariff rules are inherently complex and interrelated, and thus we expect there will continue to be some challenges with line drawing under any proposal we may consider. But this challenge will be substantially diminished by eliminating the need to separate a single, wholly integrated real-time market into two different decisional buckets.²²

Eliminating the existing distinctions among different types of real-time market rules also will provide a foundation that better reflects the realities of the market itself. Because EIM is part of the unified real-time market, with dispatch decisions and pricing that are based on a single real-time market optimization for the entire market, there is no identifiable set of real-time market rules (EIM-specific or otherwise) that can be certain to have no impact on market participants in the CAISO balancing authority area. The converse is also true, in that changes to real-time market rules that are driven by concerns specific to the CAISO's balancing authority area likewise may have potentially significant effects on market participants within the EIM balancing authority areas. Given this inherent interdependence, expanding the Governing Body's shared authority to include all real-time market rules should provide a more stable foundation for the long-term evolution of the market.

E. Type of Shared Authority

²¹ We note that there would continue to be various matters that are subject to approval by the Board alone. These would include, for example, any tariff amendments in the areas of transmission planning, generator interconnection, or the reliable operation of the CAISO's balancing authority area, such as Reliability Must Run (RMR) contracts, the Capacity Procurement Mechanism (CPM), or resource adequacy requirements.

²² As noted above, one of the factors we find important to consider is the amount of complexity that a particular governance proposal may introduce or the amount of resources it will require to administer. This proposal should reduce complexity and at least marginally reduce the time and resources devoted to the current decisional classification process.

As noted, we propose a joint authority model for the exercise of the Governing Body’s approval authority. Under this construct, proposed changes to the real-time (or with EDAM also the day-ahead) market design or market rules would require an affirmative vote, after discussion, of a majority of both the Governing Body and the Board before the CAISO would be able to move forward with a filing at FERC for approval of the new tariff rules.

Although the current “primary authority” approach also requires a majority vote in favor by the Board, this vote typically occurs on a consent-agenda basis without substantive discussion of the proposal. Under the joint authority approach, the majority voting rule would remain the same (for both bodies), but the Board’s vote would occur after a substantive discussion of the proposal rather than on a consent-agenda basis.

To avoid the inefficiency of having two separate meetings to consider such proposals, we recommend that the Board and the Governing Body meet whenever possible in a single joint session to consider matters that are within their joint authority. After a single presentation from CAISO staff and any stakeholder comments, the two bodies would then each vote separately, with a majority vote from each body required for a proposal to be approved. The Board and Governing Body already have some experience with this approach, as it was successfully used to approve the GRC charter and to establish the membership of the GRC. We expect these joint meetings would, like the current Governing Body meetings, occur on a rotating basis in Folsom and in other locations throughout the regional EIM footprint.

We have decided to propose the joint authority model with joint meetings for three main reasons.

First, this model will facilitate and encourage close collaboration between the two bodies, which should promote cohesion and common understanding. CAISO staff and all stakeholders will have the opportunity to address both bodies together, the members of the two bodies will hear the concerns of all stakeholders at one time, and there will be an opportunity for robust public discussion between and among both bodies, the CAISO staff and all stakeholders before any determinations are made. This will ensure the respective positions of all interested parties are presented and fully understood before the two bodies move forward with their votes.

Second, this approach should enhance efficiency and reduce cost for both the CAISO and stakeholders by reducing the total number of governance-related meetings that occur. Although we expect that the Governing Body and the Board would still hold some separate meetings, the total number of individual meetings that stakeholders need to monitor and CAISO would need to plan and oversee would be diminished if some of the two bodies’ meetings are jointly held.

Third, we think this approach will best ensure that both bodies are well informed about the workings of the market as a whole. As discussed above, the EIM and the rest of the real-time market are inherently intertwined. Having a joint decision-making and

deliberation process on all aspects of the real-time market design (and for the day-ahead market if EDAM is implemented) will ensure that both bodies are exposed to all of the information they need to effectively supervise the market over time.

Before turning to other aspects of this shared authority model, we pause briefly to address two specific matters the GRC discussed and considered in reaching this determination. The first involves our reason for adopting a single joint delegation rule, rather than a hybrid model that has both a joint authority and a primary authority concept. The second responds to certain stakeholder comments that recommended vesting the Governing Body (or some new body other than the Board) with “sole” approval authority over some or all market rules.

On the first topic, we recognize some stakeholders who expressed support for joint authority also may prefer retaining the Governing Body’s “primary authority” for market rules that are EIM-specific rule or vesting the Board with primary authority over real-time market rules that are specific to the CAISO balancing authority area. Under such an approach, the Governing Body or Board could, for example, potentially have primary authority over certain current or future rules relating to transmission availability or compensation, GHG accounting, or mitigation of system market power to the extent such rules apply only to the EIM or CAISO balancing authority areas. We have chosen not to propose such an approach because it seems fundamentally incompatible with the reality that the market rules affect the whole of the market footprint. As noted, a key reason we recommend giving the Governing Body shared decisional authority over *all* real-time market rules is our recognition that the real-time market is one integrated market in which rules relating to one balancing authority area or set of balancing authority areas unavoidably may impact pricing and dispatch determinations across the entire market. This interplay likewise provides a strong argument against a hybrid joint/primary approach. Because impacts across all participating balancing authority areas are unavoidable, it makes sense to have the two bodies play an active role in considering and approving proposed changes to all aspects of real-time market design.

Moving to a hybrid model also would eliminate a key benefit of the bright line rule we have proposed, which is to simplify the process and avoid complex and time-consuming disputes over which approval process should. Indeed, a hybrid model would, if anything, further complicate the existing process because there would be two more decisional categories (Governing Body primary and Board primary) to consider.

We also do not see a sufficient upside that would potentially outweigh the drawbacks we have identified. Under either a joint model or a hybrid model with some primary authority, both bodies must affirmatively approve a proposal to change the existing market rules. The only difference is that in a primary authority model the non-primary body typically will not hear a presentation and stakeholder comment on the matter before proceeding to a vote. Because both bodies are going to be substantively involved in the determination, it seems best to allow them both to fully understand the ramifications of the proposals they are approving.

On the second topic, we do not propose giving the Governing Body (or some successor body) sole authority over any set of market rules both for policy and legal reasons. Our policy reason for not supporting this proposal is the same as discussed above. Because there is one real-time market and its rules impact all market participants, it makes sense to have both bodies share authority for approving those rules. But even if we were to see some benefit to such a proposal, we would not recommend it because it appears to be inconsistent with the GRC's principle to ensure that the Board's legal duty to oversee the corporation is not impaired. As discussed in the legal analysis set forth in Appendix A to this paper, the Board has, under California corporate law, a non-delegable fiduciary responsibility to oversee all activities of the corporation. Delegating this responsibility entirely to another body would be both inconsistent with that duty and could jeopardize the basis on which the CAISO's tax-exempt status is established.

F. Other Issues Related to the Delegation of Authority

In this section, we address several matters that are directly related to the delegation of authority. Although there are no doubt other related issues we may want to consider as we further develop our proposal, the issues presented here are the key related topics we have identified to date. We encourage stakeholders to comment on each of these topics and to identify any other such issues that may warrant further discussion.

(i) Process for Resolving Potential Deadlocks

The current delegation of authority model does not include a defined process to address a situation where the Governing Body and the Board do not agree on whether to approve a proposal that is subject to their shared approval authority. Some stakeholders recommend establishing such a process, especially if the scope of the two bodies' shared authority is significantly increased.

The GRC agrees it would prudent to develop such a process, specifically for those circumstances where there may be a compelling need to move forward with a revision to the current market rules. In those cases, there should be some way to overcome a deadlock where one body has approved a proposal but the other has not.²³

If one body votes to approve a proposal and the other does not on a topic where a change in rules is clearly needed, we propose an iterative process to address the deadlock.

First, at the initial public meeting where the two bodies convened to consider the proposal, those Governing Body or Board members who do not support the proposal would be asked to articulate the concerns that gave rise to their vote. A discussion would then ensue during the meeting among the members of both bodies to explore the extent of their differences and consider potential ways to address the areas of disagreement. Stakeholders also would be encouraged to share their views during this discussion on potential ways to address the areas of disagreement.

²³ In cases where the proposal involves an optional change to market rules, the process could be optional, with another alternative being simply to abandon the proposal.

With the benefit of that discussion, the matter would then be sent back to CAISO staff, who would commence another round of the public stakeholder process designed specifically to explore ways to address the identified concerns and to establish a revised proposal for the two bodies to consider. Stakeholders would have an opportunity to review the CAISO staff's revised proposal and submit written comments on it before the matter goes back to the two bodies for further review.

The matter would then go back to the two bodies for their further consideration in a joint public meeting, at which both bodies would discuss and then vote on the revised proposal once again. If the matter is approved by both bodies, then CAISO staff would be able to move forward with filing the proposal at FERC.

If the two bodies instead continue to disagree, then two options would be available. The two bodies could either decide to remand the matter back to CAISO staff for another attempt to develop through the stakeholder process a proposal that would satisfy both boards. Or, the two bodies could opt to develop and approve two alternative versions of the proposal, which CAISO staff would then submit to FERC for its consideration.²⁴

We propose at least two attempts to reach agreement before the option of filing “two alternative versions” becomes available in order to create a strong incentive for all parties to work together to identify a collaborative solution. Indeed, in most cases we expect that a second remand to the CAISO staff would be preferable to moving forward with two alternative proposals. We do, however, recommend the option of filing two alternatives as a last resort to ensure that there is some way to move forward on matters where some change in rules is needed and the two bodies are unable to reach consensus.

We encourage stakeholders to comment on this proposal, including on how many attempts should be required before filing two alternative proposals with FERC and on any other potential options for resolving such deadlocks.

We also seek comment on whether this deadlock breaking process could appropriately address a situation where a change in the tariff is *not* clearly needed and one body supports CAISO management's proposed change but the other body does not and has no alternative it would support. If commenters believe an alternative process should be devised to address this specific circumstance, we request input from such commenters on how such a deadlock would be resolved.

²⁴ In other contexts where an ISO/RTO board shares approval authority with another body, FERC has approved processes that allow two alternative proposals to be submitted to FERC for its consideration. *See, e.g., Midwest Independent Transmission System Operator, Inc. et al.*, 143 FERC ¶61,165 (2013); *Southwest Power Pool, Inc.*, 109 FERC ¶61,010 (2004), at paras. 82-95; *ISO New England, Inc. et al.*, 133 FERC ¶61,070 (2010), at paras. 74-75.

(ii) Short-Term Emergency Filings

The current governance includes an “exigent circumstances” provision that allows CAISO staff to secure the approval of only one of the two approval bodies when a temporary amendment to the tariff is urgently needed either to prevent market manipulation or to address an imminent threat to reliability of the grid.²⁵ The provision, which has not to date been used, was included specifically to address a situation where a temporary tariff amendment is urgently needed and there is not sufficient time to convene both bodies and get their approval before making an emergency filing with FERC.

Under the current provision, the body to which CAISO staff must go for emergency approval depends upon the nature of the tariff change. For a tariff change that is entirely within the Governing Body’s primary authority, CAISO staff can move forward with a FERC filing after receiving the approval of only the Governing Body. For a tariff change that includes some elements that are within the Governing Body’s primary authority and some that are not, CAISO staff can move forward with such an emergency filing after receiving the approval of only the Board.

The GRC recommends retaining such an exigent circumstances provision to ensure that the potential challenge of assembling both bodies quickly for a vote does not delay temporary action that is urgently needed to prevent market manipulation or preserve reliability. We support retaining the provision because it is narrowly tailored to address only urgent situations and permits only a temporary amendment that would be in effect for 90 days or less.

Assuming that our joint authority proposal is adopted, it will be necessary to change one aspect of the current provision that prescribes which body would authorize the CAISO to move forward. As noted, the current provision bases this determination on whether the tariff change falls entirely within the Governing Body’s primary authority to approve, which is a construct that would no longer exist under the GRC’s proposal for joint authority over all changes to market rules.

There are various ways to address this issue. The provision could allow CAISO management to obtain such an emergency approval from either body, depending on which body can more readily be convened. Or the designated approval body could alternate back and forth between the two bodies over time. A third option would be to allow CAISO staff to move forward with such an emergency filing without obtaining either body’s advance approval, provided that tariff amendment is temporary in nature and meets all of the other criteria set forth in the current provision.

Before deciding the best option for modifying this provision, the GRC seeks stakeholder comment on the matter. With the benefit of that input, the GRC will provide a recommendation in its next iteration of its straw proposal.

²⁵ See Charter § 2.2.3.

(iii) The Decisional Classification Process

As discussed above, stakeholders offered far less comment on the process for decisional classification, and the comments offered recommended only modest changes. We would, however, like further stakeholder input on the one more substantive issue that several stakeholders raised regarding the tiebreaker to be used if the two bodies are unable to agree on the proper decisional classification. As noted, the three stakeholders who commented on that issue were split, with one supporting the current approach that allows the Board Chair to break a tie and the others recommending that this provision be eliminated.

As a threshold matter, we believe that disputes on the proper decisional classification will be less likely to occur under our joint authority proposal because there will no longer be a need to divide up the rules of a single real-time market between the Governing Body and the Board. It is, however, possible that there could be disputes about whether or not a proposed rule change is in fact a real-time (or for EDAM, day-ahead) market rule that is subject to joint authority or falls outside that context and thus is for the Board alone to decide. For this reason, we believe the decisional classification process, including a process for resolving any disputes about the proper classification, continues to be needed.

We would like further stakeholder input on this question, including any alternatives we should consider to the current tiebreaker rule.

One alternative we have identified would be to allow the classification that was proposed by CAISO staff to stand if there is an evenly split vote among the members of the two bodies. Another option would be to allow the tiebreaker authority to alternate between the chairs of the two bodies over time. A third option would be to randomly select an odd-numbered subset of the members of the two bodies, who would then decide the proper classification by a majority vote. Stakeholders who support eliminating the current tiebreaker rule are encouraged to comment on these options and to offer any others for consideration.

(iv) Timing and Process for Implementing Proposed Changes to the Scope and Type of Authority

The GRC expects to complete a draft final straw proposal on governance by the first quarter of 2021. Based on the current status of the stakeholder proceedings for developing the EDAM market design, it seems likely that the final proposed EDAM market proposal will not be determined until substantially later than that. In light of that lag in time, we recommend that the Board and Governing Body consider implementing the proposed changes to the delegation of authority contemplated for the current market structure (the “EIM-only” scenario) before EDAM is approved and implemented.

We recommend adopting our governance proposals that are EIM-specific before EDAM is completed for two reasons. First, we believe the changes will enhance the EIM as it currently exists and thus should be adopted irrespective of what may happen with EDAM. Second, we believe this would allow stakeholders and CAISO staff to develop experience with the new division of authority and potentially identify and address any

unexpected issues before it is extended to a future EDAM market. It also would ensure that the GRC has the benefit of this experience when it further considers how this proposal would apply to EDAM after the specifics of the EDAM market design are better known.²⁶ As noted above, we also propose that the Board formalize the process that CAISO management has proposed for approval of the market design of EDAM, which would involve bringing the proposed market design to both the Board and the Governing Body for their joint review and approval.

G. Enhancements to the Durability of the Delegation of Authority

In our Scoping Paper, we asked for comment on whether there was a need to enhance the durability of the delegation of decisional authority to the Governing Body, either in an EIM-only context or with the addition of an EDAM market. Enhancing the durability of the delegation would mean making it more difficult to change the provisions in the CAISO's governing documents that establish both the scope and type of delegation the Board has made to the Governing Body.

Currently, the scope and type of delegation are set forth in different documents that have slightly different provisions for how the relevant provisions may be changed. The *scope* of that delegation is established primarily in the Charter, which can be modified by a majority vote of the Board after obtaining advisory input from the Governing Body.²⁷ The *type* of delegation given to the Governing Body (i.e., "primary authority" or advisory input) is currently set forth primarily in the CAISO's bylaws, and can be changed either by a vote of at least two-thirds of the members of the Board or by majority vote of both the Governing Body and the Board.²⁸

With one exception, the stakeholders who commented on this issue support enhancing the durability of the delegation in one form or another.²⁹ Some of those commenters recognize a need for greater durability specifically in the context of an EDAM, while others recommend enhancements to the durability of the delegation both for EDAM and for EIM. In each case, the main argument for greater durability was that it will enhance

²⁶ In this discussion of Issue Six below, the GRC addresses the timing of its proposal more generally and the potential need to revisit proposals relating to EDAM governance once the proposed EDAM market design have been more fully developed.

²⁷ See Charter § 8.

²⁸ See Bylaws Article IV, Section 1 and Article IX, Section 3.

²⁹ See AWEA Comments at 3, BPA Comments at 5, Chelan PUD Comments at 6, CMUA Comments at 3, EIM Entities Comments at 4, PGP Comments at 6, and PPC/NRU Comments at 3. The CPUC Public Advocates Office, however, recommends that the process for changing the authority delegated to the EIM Governing Body "should remain unchanged with or without the implementation of EDAM."

stakeholders' confidence in the stability of the market and thereby facilitate further growth of EIM and ultimately the EDAM. Commenters also offer a range of proposals for enhancing durability, including requiring the affirmative approval of both bodies for any changes to the delegation, adding a supermajority requirement for any changes established by the Board, or establishing a notice period before changes can be made.

The GRC agrees that enhancing durability will promote confidence among market participants and other stakeholders, which will in turn facilitate both the growth and expansion of EIM and the success of a future EDAM. Greater assurances of durability are also warranted due to the significant expansion that has already taken place. As the size and scope of the EIM has expanded, the importance of ensuring all participants a stable and predictable form of governance has necessarily increased.

The GRC proposes several measures to accomplish this objective. First, we would require a unanimous vote of the Board for any changes to governance that may impact any aspect of the scope or type of the Governing Body's delegated authority.³⁰ In addition, no such changes could be adopted without first seeking stakeholder input and specifically considering and addressing any advisory input the Governing Body, RIF, or the BOSR may provide. Finally, we propose a mandatory notice period for implementing any proposed change that is equal in length to any notice period that EIM or EDAM entities may have for withdrawing from the EIM/EDAM market. Thus, for example, since the EIM market design currently includes a 180-day withdrawal notice period for EIM Entities, in the EIM-only context, a 180-day notice period likewise would apply before any potential changes to the delegation of authority could take effect. This notice period would not begin to run until after the Board has formally approved the proposed modification. This notice period would apply to all changes to the delegation of authority, unless both the Board and the Governing Body unanimously agree to waive the notice period. We propose this waiver exception in case there is a change that all parties agree would be an enhancement that should be adopted without any delay beyond what is necessary for the Board and the Governing Body to obtain advisory input from stakeholders, the RIF, and the BOSR.

These provisions should collectively provide market participants with reasonable assurance that key aspects of EIM governance will not change without proper notice and careful consideration. The provision tying the notice period to the withdrawal notice period for EIM or EDAM Entities, moreover, ensures an appropriate balance of commitments made by all parties.

³⁰ This would apply to all provisions in governing documents that address the delegation of authority, including the bylaws, the Charter or any other document. Thus, the provisions discussed above that are currently set forth in the bylaws and the Charter would be amended to be consistent with this proposal.

We do not propose requiring that any changes secure the approval of both bodies in part because this would seem to impair the Board’s ability to oversee the corporation. As the CAISO explains in its legal analysis in Appendix A the Board cannot cede its ultimate authority to modify its governance because this would appear to render it unable to meet the obligation, established under California corporate law, that “the activities and affairs of a corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board.”³¹ Such a provision also might endanger the CAISO’s non-profit tax status because, as further explained in Appendix A, that status is premised in part on the ability of the Board to oversee all aspects of the corporation. For these reasons, we do not support this proposal. We also believe our proposal set forth above is superior because it is a more balanced approach that establishes a minimum period for any changes that is equal to the period for an entity to withdraw.

Issue 2: The Selection of Governing Body Members

A. Introduction

The Scoping Paper asked stakeholders to comment on the process and criteria for selecting members of the Governing Body. Questions included whether to change the nominating committee by converting the representative of public interest organizations from an advisory to a voting member; the qualifications and criteria used to select Governing Body members; the process for reviewing and approving nominees; the term-length for members; and, the size of the Governing Body itself.

B. Background

The Governing Body consists of five members³² who are selected by a nominating committee of stakeholders, subject to confirmation by the Governing Body in public session. The nominating committee has eight members, including one representative each from:

- EIM Entities
- Participating Transmission Owners
- Publicly-Owned Utilities
- Suppliers and Marketers of Generation and Energy Service Providers
- The BOSR
- Public Interest and Consumer Advocate Groups
- The Governing Body
- The Board

³¹ Calif. Corporations Code §5210.

³² Charter § 1.1.1.

The first five members on the list above have votes on the committee: the member of the BOSR plus the representatives of market participant sectors. While the remaining members – the final three on the list – participate fully in deliberations, their role is advisory only. The nominating committee “act[s] on the consensus of its voting members.”³³

Members of the Governing Body serve three-year terms.³⁴ In the months before a member’s term is scheduled to expire, the nominating committee assembles to decide, first, whether to re-nominate the sitting member. If the sitting member is not willing to serve again, or if the nominating committee decides for other reasons to proceed with a search, it identifies candidates with the help of an executive search firm, and also based on suggestions from the members of the committee and the sectors they represent. The Selection Policy directs the committee to find “the best qualified candidates available in the United States,” subject to a preference for candidates with experience and background in the western states and an objective of ensuring that the Governing Body as a whole has diversity in terms of geographic representation, expertise, and industry experience.³⁵

C. Summary of Comments

Nine parties submitted comments on these issues.³⁶ Regarding the nominating committee, two comments indicate that the Selection Policy is generally working well, while four support changing the status of the representative of public interest organizations from an advisory to a voting member.³⁷

Commenters also supported ensuring diversity of both geographic background (within the West) and career background (or “sector diversity”) on the Governing Body.

D. GRC Proposal on Selection of Governing Body Members and their Terms

The GRC recommends three changes to the process for selecting members of the Governing Body. We believe each of these changes would improve the process for selecting members of the Governing Body, and therefore should be implemented regardless of whether EDAM goes forward.

³³ Selection Policy § 3.4.

³⁴ Bylaws Art. IV, Section 3 and Charter § 1.3.

³⁵ Selection Policy § 3.4.

³⁶ AWEA, BPA, BOSR, CMUA, CPUC Energy Division Staff, CPUC Public Advocates Office, PG&E, PIO, SCE.

³⁷ AWEA, BOSR, CPUC ED, PIO.

(i) Nominating Committee – The Public Interest and Consumer Advocates Sector Representative Should have a Voting Position

First, the GRC recommends amending the Selection Policy so that the representative of Public Interest Groups and Consumer Advocates (or “PIO” for public interest organizations) becomes a voting member of the nominating committee as opposed to an advisory member as is currently the case.

We believe the PIO representative’s status as an advisory member should be reconsidered. As noted, several parties strongly advocate for this change and no commenters expressed opposition. And while two other members of the nominating committee have the same advisory role, there are compelling reasons for that. The representative of the Board does not have a vote in deference to the goal of ensuring that the Governing Body retains clear independence from the Board. This supports the fundamental concept of an autonomous Governing Body that is capable of considering stakeholder interests across the entire regional footprint. The representative of the Governing Body does not need a vote because the Governing Body itself has the final say on candidates. In addition, voting in the nominating committee, rather than during the confirmation before the Governing Body, could inappropriately elevate the authority of the Governing Body’s representative above his or her colleagues on the Governing Body.

In contrast, the justification for the PIO representative to be advisory is less apparent. PIOs have been involved in market issues informally through the stakeholder process and formally as members of the Nominating Committee, Governance Review Committee and the Regional Issues Forum. The GRC believes that the PIOs and the constituencies they represent do have an important interest in the EIM that should allow them to participate on an equal basis in the nominating committee.

Further, we support the requirement that the nominating committee act by consensus of its voting members.³⁸

For these reasons, we recommend that the Selection Policy be amended accordingly.

(ii) Selection Criteria: Enhance Diversity

Second, we recommend enhancing the role that diversity plays in the selection criteria for the Governing Body. The Selection Policy currently directs the Nominating Committee to strive for diversity of expertise and geography on the Governing Body as a whole. Specifically, it states, in relevant part, that:

With the assistance of the Executive Search Firm, the Nominating Committee shall identify and select the best qualified candidates available in the United States. Optimally, the Committee’s selections should strive to ensure that the overall composition of the Governing Body reflects diversity of expertise so that there is not a predominance of Members who specialize in one subject area, such

³⁸ Selection Policy § 3.4.

as operations or utility regulation. Similarly, no one state or sub-region in the West should have excessive representation – meaning that members whose place of residence or work history tends to associate them with a particular Western state.³⁹

We would enhance this by expanding the list of diverse qualities that the Nominating Committee should seek to include gender, ethnicity and perspective. The new paragraph would read:

With assistance from the Executive Search Firm, the Nominating Committee shall identify and select the best qualified candidates available in the United States. Optimally, the Committee’s selections should strive to ensure that the overall composition of the Governing Body reflects diversity of expertise, geographic background, ethnicity, gender and perspective, so that there is not a predominance of Members who specialize in one subject area, such as operations or utility regulation, and the body reflect a broad variety of personal backgrounds and life experience. Similarly, no one state or sub-region in the West should have excessive representation — meaning members whose place of residence or work history tends to associate them with a particular Western state.

On a related issue, the GRC believes the Nominating Committee should begin its work by seeking an inclusive candidate pool that would optimize the diversity of the Governing Body. Currently the Selection Policy provides that, if the Nominating Committee does not decide to renew the term of a sitting member, it should ask the search firm to identify at least two qualified candidates for the position. We recommend adding language that would identify and inform the search firm of any relevant diversity the Nominating Committee may think should be emphasized in the candidate pool given the current membership:

If a Governing Body member whose term is scheduled to expire has expressed a desire to be nominated for a new term, the Nominating Committee should determine whether it wants to re-nominate the departing member without interviewing other candidates. If the Nominating Committee does not decide to proceed in this manner, then it should first determine which set of diverse qualities would best complement the remaining members and ask the Executive Search Firm to identify at least two qualified candidates to interview, in addition to the sitting member.⁴⁰

In practice, the nominating committee receives many suggestions about potential candidates from its members and their respective sectors. This change would ensure that candidates with any relevant diversity are included in the candidate pool.

³⁹ Id.

⁴⁰ Id.

(iii) Terms of Governing Body Members: Add a 60-Day Holdover Period

Third, the GRC recommends establishing a 60-day “holdover period,” meaning the potential to extend the term of a Governing Body member when a replacement has not yet been confirmed.

The nominating committee begins its work well in advance of a member’s term expiring and, to date, has been able to reach a decision to either renew the sitting member or to select a new member in time to avoid an unnecessary vacancy. With that said, the committee must coordinate schedules between the eight members and the candidates, and does not have much room to accommodate any unexpected scheduling conflicts that may arise during the process. Based on the experience of GRC members who have served on the nominating committee, we believe that, rather than starting even earlier, the participants would benefit from the potential to have scheduling flexibility if needed to complete the process carefully.

The 60-day extension would occur only if: 1) requested by the nominating committee, 2) approved by the Governing Body, and 3) agreed to by the sitting member.

Issue 3: Governing Body Meetings and Engagement with Stakeholders

A. Introduction

In the Scoping Paper, the GRC described the Governing Body’s general meeting practices and structure and sought input on whether any changes should be made to enhance opportunities for stakeholder engagement. Specifically, we sought comment on the efficacy of the Governing Body’s current processes, including meeting frequency and location and the process used to conduct the meetings. We also sought input on whether there should be a stakeholder advisory committee, and if so, what its role should be relative to the existing CAISO stakeholder process and the RIF. Finally, in response to prior stakeholder input, we sought comment on whether there should be funding for the BOSR and on whether there should be some formal role in EIM governance for the federal power marketing agencies and the governing bodies that oversee consumer-owned utilities.⁴¹

This section presents the GRC’s initial recommendations on each of these topics, except for the issue of funding for the BOSR, which is addressed below in our discussion of Issue 4.

⁴¹ In our Scoping Paper, we used the term “public power” rather than consumer-owned utilities. We use the term consumer-owned utilities here to clarify that we mean to include all types of utilities that have some form of public ownership, including public utility districts, municipal utilities, co-operatives, or any other type of publicly owned utility.

B. Background: The Current Stakeholder Engagement Process

Under the current EIM governance structure, there are four main venues where stakeholders may engage on matters involving the EIM: the Governing Body, the BOSR, the RIF, and through the public stakeholder process administered by the CAISO.⁴² Before addressing stakeholder comments, we set forth some background on the role that each of these bodies and processes currently play in facilitating stakeholder engagement.

(i) Governing Body

The five-member Governing Body has delegated authority over certain market rules affecting the EIM. Members of the Governing Body are selected by a Nominating Committee comprised of representatives of all EIM stakeholders. Meetings of the Governing Body are established in advance for each calendar year and may be called by the Chair of the Governing Body at such dates, time and places as they determine. Historically, the Governing Body has split the locations of their regularly scheduled general session meetings between Folsom, California and other cities across the broader western region.

Stakeholders may engage directly with Governing Body members through these meetings. At the beginning of each meeting, there is a standing agenda item for public comment, which allows stakeholders to speak on any subject they choose. In addition, opportunities for public comment are available after each general session item, as outlined in the agenda. Members of the Governing Body also routinely engage in informal outreach to stakeholders to ensure that they understand any concerns and have feedback on how the Body is performing.

(ii) Body of State Regulators

The BOSR provides a forum for state regulators to learn about the EIM, the Governing Body, and related CAISO developments that may be relevant to their jurisdictional responsibilities. The BOSR may engage on issues related to the EIM by expressing a common position in any CAISO stakeholder process or by sharing their views in the public meetings of the Governing Body or the Board.

Membership of the BOSR consists of one commissioner from each of the state public utilities commissions in which a load-serving utility participates in the EIM. Per the Charter for EIM Governance, the BOSR should hold periodic meetings, and CAISO staff is available to facilitate such meetings. However, as the BOSR is self-governing, it establishes its own rules, procedures or practices. Generally, the BOSR has held both teleconferences and in-person meetings, and holds both executive sessions that are limited to BOSR members and public sessions that are open to all stakeholders. The teleconferences are held monthly or as needed to discuss current regional energy-related

⁴² Information about the EIM Governing Body, Body of State Regulators, and Regional Issues Forum can be found at the following links:

<https://www.westerneim.com/Pages/Governance/GoverningBody.aspx>;

<https://www.westerneim.com/Pages/Governance/EIMBodyofStateRegulators.aspx>; and

<https://www.westerneim.com/Pages/Governance/RegionalIssuesForum.aspx>

initiatives and activities. In-person meetings are generally held in conjunction with the Committee on Regional Electric Power Cooperation meetings to reduce travel costs and facilitate attendance.

(iii) Regional Issues Forum

The RIF is a stakeholder-led forum that facilitates discussion on broad issues related to the EIM. The Charter for EIM Governance recognizes that the RIF may on occasion discuss specific items that are part of an ongoing CAISO stakeholder process, but further states that the RIF generally should not consider such matters and instead should focus on broader issues of EIM operations. The RIF may produce documents or opinions for the benefit of the Governing Body or the CAISO, but has not in practice done so.

The RIF is organized by ten sector liaisons, who facilitate input and participation from their respective stakeholder sectors on topics and content for their meetings. There are five stakeholder sectors described in the Charter for EIM Governance, and each sector chooses two liaisons for this role. Sector liaisons are responsible for conducting outreach and maintaining contact lists for their members. Meetings of the RIF are held at least three times a year in cities across the broader western region and can be held in-person or via webinar at the discretion of the Chair. In-person meetings are generally held in conjunction with other meetings, such as those of the Governing Body, to reduce travel costs and facilitate attendance. Meetings are open to the public, and all interested parties are encouraged to attend and participate. Stakeholders have the opportunity to weigh in on the agenda through their sector liaisons, or make public comments at the meetings.

(iv) The CAISO Stakeholder Process

All stakeholders may comment and participate throughout the CAISO work stream planning processes, via the annual roadmap and the Policy Initiatives Catalog (which is discussed in more detail below in Issue 4, section I), and through the stakeholder initiative process. The annual roadmap process captures the policy initiatives the CAISO will undertake in the following year and their approximate timeframes. The development of the annual roadmap includes updating the Policy Initiatives Catalog twice a year. The catalog is a comprehensive directory of current, planned and potential policy initiatives that require a stakeholder process. Stakeholders are able to submit initiatives to the catalog year-round. Once an initiative starts, stakeholders have the opportunity to participate in the policy development, tariff development and implementation both by attending public meetings hosted by the CAISO and by submitting written public comments.

At each stage, the CAISO uses a consistent process for obtaining stakeholder input on policy initiatives that includes publicly posting issue papers, draft proposals, and ultimately final proposals prior to Board approval. The CAISO also sometimes uses stakeholder workshops as a tool for a more informal exchange of views among stakeholders and to help develop and facilitate consensus on important policy issues. Both the discretionary workshops and the more standard public stakeholder comment and meeting process allow all stakeholder viewpoints to be carefully considered and to promote, wherever possible, broad consensus in support of any proposals CAISO staff

may ultimately bring to the Governing Body and the Board. All of the CAISO's stakeholder proceedings, including such workshops, are publicly noticed and open to all interested stakeholders.

C. Summary of Comments

In this section, the GRC provides an overview of stakeholder comments on each of the topics identified above.

(i) The Current EIM Governing Meeting Process

The stakeholders that commented on the Governing Body's meeting processes generally expressed satisfaction with the current process and support leaving it unchanged, though some noted that changes may be needed under a joint authority model or if the market expands.⁴³ There was strong support, in particular, for the practice of having meetings in various locations throughout the EIM footprint, which promotes strong outreach and regional understanding of matters related to the EIM. Stakeholders also generally believe that the current meeting frequency is appropriate and appreciate the Governing Body's strong focus on stakeholder outreach.

(ii) Developing a Stakeholder Advisory Committee

As discussed below, commenters were split on whether a new stakeholder advisory committee should be developed.

(1) Comments Favoring Implementation of a Stakeholder Advisory Committee

Several stakeholders support the formation of a single, new stakeholder advisory committee comprised of individuals representing various sectors of the electric industry.⁴⁴ These commenters believe that such a body would provide a useful forum for stakeholders to engage on EIM issues and provide a more formal channel to provide advisory input to the Governing Body. The members of the committee would represent their sectors and express positions on behalf of their sectors. The advisory committee as a whole would have the role of taking positions on issues and producing work products, and would serve as a supplement to the current CAISO stakeholder process. It would replace the RIF and would serve as a vehicle to direct and organize the engagement of stakeholders and communicate directly to the Governing Body and the Board. The commenters who support creating a new stakeholder committee generally agree that the

⁴³ See AWEA Comments at 4, BPA Comments at 7, CMUA Comments at 4, PG&E Comments at 4, PGP Comments at 7-8, PIO Comments at 6-7, PPC/NRU Comments at 7, Six Cities Comments at 1.

⁴⁴ See AWEA Comments at 4, BOSR Comments at 4, CMUA Comments at 5, Public Power Comments at 1-2. Although these commenters generally support a sector-based committee, they have not proposed specific sector definitions or how the committee membership would be established.

committee would not have decisional authority and would provide only advisory input to the Governing Body and the Board.

Although somewhat similar in concept, two commenters more specifically propose modifying the current RIF, so that it can effectively serve the function of a market advisory committee.⁴⁵ Under this concept, the body would continue to function in the same general manner as the RIF, with a sector-driven process that allows all stakeholders to directly participate. Unlike the current RIF, the body would be expected to consider and discuss matters that are part of the CAISO stakeholder process and would be specifically allowed to offer opinions or recommendations on such issues to the Governing Body.

(2) Comments Favoring Implementation of a Member Advisory Committee

Two commenters support creating both a stakeholder advisory committee along the lines described above and a “members advisory committee” that would be comprised of the EIM Entities (or EDAM Entities if EDAM is adopted) from each participating balancing authority area, as well as those who have signed an implementation agreement to become an EIM/EDAM Entity.⁴⁶ One of these commenters proposes also to include in the members committee the Participating Transmission Owners that are within the CAISO balancing authority area.⁴⁷ The member advisory committee would not have decisional authority, but would serve as a separate vehicle for representing its members’ interests.

(3) Comments that do not favor formation of a new Advisory Committee

A number of parties do not support the creation of a stakeholder advisory committee, based on the view that the current processes are working well and appropriately support stakeholder input and engagement.⁴⁸ At least two of these commenters do, however, express a willingness to consider developing a stakeholder advisory committee at some point in the future if circumstances warrant.⁴⁹ There is also one stakeholder who does not see any need for a stakeholder advisory committee, but notes that it would not oppose

⁴⁵ See Public Generating Pool Comments at 8-9, PPC/NRU Comments at 5-6.

⁴⁶ See BPA Comments at 7, EIM Entities Comments at 2-3.

⁴⁷ See EIM Entities Comments at 2.

⁴⁸ See CPUC Public Advocates Office Comments at 3, PG&E Comments at 4-5, Public Interest Organization Comments at 7, SCE Comments at 3.

⁴⁹ See PG&E Comments at 4, Public Interest Organization Comments at 7.

establishing such a committee so long as it would not have any special or preferred status over other stakeholders or any particular sub-group of stakeholders.⁵⁰

(iv) Representation of the Interests of Consumer-Owned Utility and PMA Regulatory Bodies

Most commenters expressed support for establishing or at least considering some form of additional representation for consumer-owned utilities and federal PMAs to reflect the perspectives of their regulatory bodies and customers.⁵¹ There is not, however, agreement on the particular form such representation should take. Some suggest that the BOSR potentially could be expanded to include some form of consumer-owned utility and PMA representation,⁵² while others would consider creating a committee similar to BOSR that would represent consumer-owned utility and PMA interests.⁵³ Others do not propose a specific structure or suggest that the representation of these interests could be addressed within the context of whatever stakeholder advisory committee may be established.⁵⁴

D. Discussion of GRC Recommendations

(i) Governing Body Meeting Process

As noted, there appears to be widespread stakeholder support for the Governing Body's current meeting processes and outreach efforts, and we have not identified any changes to recommend. We believe the location and frequency of Governing Body meetings is appropriate and support the Governing Body's ongoing stakeholder outreach and engagement efforts.

It bears mention that if the joint authority model we propose in this straw proposal is adopted, there will be some instances where the Governing Body and Board meetings will need to be co-located, both in time and place, so that a joint session of the two bodies can occur. This would differ from the current standard schedule, in which meetings of the Governing Body are typically staggered so that they occur several weeks before or after a meeting of the Board. As noted in the discussion of Issue One, we believe this change

⁵⁰ See Six Cities Comments at 2.

⁵¹ See AWEA Comments at 6, BOSR Comments at 4-5, BPA Comments at 11, CMUA Comments at 6, EIM Entities Comments at 3, PG&E Comments at 5, PGP Comments at 9-10, PPC/NRU Comments at 5, Public Power Comments at 2, SCE Comments at 4.

⁵² CMUA Comments at 6, EIM Entities Comments at 3, Public Power Comments 2, SCE Comments at 4. In its comments, BOSR does not state a position on this option but notes that it is a separate and self-governing body and that any changes to the BOSR membership would require a decision by the current BOSR membership to amend its charter. See BOSR Comments 4-5.

⁵³ See BPA Comments at 11, PGP Comments at 10, PPC/NRU Comments at 5.

⁵⁴ See AWEA Comments at 6, BOSR Comments at 4-5, PG&E Comments at 5.

could enhance efficiency for stakeholders and CAISO staff by potentially reducing the total number of separate meetings to plan and attend.

(ii) Modifying the Regional Issues Forum to Enhance Opportunities for Stakeholder Engagement

As the stakeholders who support augmenting the current stakeholder process observe, a primary driver for proposing such enhancements is the rapid growth of the EIM market since its inception. This growth and diversity will also continue to accelerate if the CAISO moves forward with an EDAM offering, as there will presumably then be some stakeholders who participate in that market and some who participate only in EIM.

The GRC agrees that some enhancement to the existing stakeholder engagement process is warranted to ensure that a growing and increasingly diverse cohort of EIM (and potentially EDAM) stakeholders have a ready means to engage with one another, to better understand and participate in the development of the EIM and EDAM markets, and to directly communicate with the Governing Body and the Board. We stress, however, that any such enhancement should be designed specifically to complement the CAISO's existing public stakeholder process and proceed in parallel with those proceedings, though such discussions also could involve other topics that are not part of an ongoing stakeholder proceeding.

Our overarching goal is to establish a transparent means for stakeholders to come together to share and debate perspectives on market issues in order to advance understanding, identify new or emerging issues, develop alternatives, and collaborate on potential solutions. The body performing this function should be able to provide written opinions on market issues to the Governing Body and the Board, as well as respond to any requests those two bodies may have for information or opinions.

With these objectives in mind, we think the best way to increase opportunities for stakeholder engagement is to modify, and enhance, the RIF. As noted, the RIF already performs an important stakeholder engagement function, by bringing together stakeholders of every type to discuss and consider matters relating to the EIM. But the Charter currently states that the RIF generally should not consider matters that are already part of an ongoing CAISO stakeholder process and should instead focus only on broader issues of EIM operations. The GRC recommends eliminating that limitation and replacing it with language that allows, and even encourages, the RIF to discuss matters that are part of an ongoing stakeholder process. This will allow the body to serve as an additional avenue for stakeholders to collaborate, exchange views and more generally learn about the current and emerging issues facing EIM.

The Charter already permits the RIF to develop and produce documents or opinions for the benefit of the Governing Body or the CAISO. With the change to the scope of issues the RIF would be expected to address, the RIF would also be able to share directly with the Governing Body or CAISO staff any consensus opinions it may be able to develop on

matters that are part of an ongoing CAISO stakeholder process.⁵⁵ This would serve as an additional incentive for active stakeholder engagement and collaboration. While the RIF could provide such opinions where appropriate, stakeholders would continue to be responsible for developing their own individual opinions and for ensuring that those opinions are provided to the CAISO through the existing stakeholder process.

The GRC prefers to modify the RIF rather than create a new stakeholder advisory committee for two reasons. First, this process should be more straightforward to accomplish since it builds upon an existing foundation, rather than attempting to set up a new structure entirely from scratch. Second, and perhaps more important, this approach should promote stakeholder confidence because the RIF is an open and inclusive body that allows all stakeholders to directly participate. Because our goal is to encourage collaboration among all stakeholders and in particular to provide an easy opportunity for newer stakeholders to engage, the RIF's existing open and inclusive structure is preferable to a more standard stakeholder advisory committee construct comprised of members who are asked to represent the viewpoints of other stakeholders that are not part of the committee.

The GRC seeks stakeholder comment on this proposal, including on whether there are any other aspects of the current RIF that should be modified to enhance its ability to meet this stakeholder engagement objective. One topic, in particular, on which we would like comment is whether any changes should be made to the existing sector classifications that are used for selecting stakeholder liaisons. We note, for example, that as EIM has grown the number of stakeholders participating in the "neighboring balancing authority areas" sector has diminished, as members of that sector are now participating in other sectors. We thus seek comment on whether that sector should be eliminated or otherwise reconfigured. We also seek comment on whether, as is the case for the Nominating Committee sectors for the Governing Body, there should be a separate and distinct sector in the RIF for EIM Entities.

(iii) Representation for Federal Power Marketing Agencies and Consumer-Owned Utilities

The issue of how best to represent the interests of consumer-owned utilities and federal PMAs is challenging because, as some stakeholders have observed, these utilities are market participants but also are governmental entities and perform regulatory functions on behalf of their customers. Their interests as market participants are properly addressed through the CAISO's stakeholder process and their involvement in the RIF. The GRC agrees that these mechanisms do not fully account for the governing bodies that oversee these entities and that there ideally should be some way to ensure that those interests are heard.

The GRC does not support creating an entire new advisory body dedicated to this task for reasons of efficiency. The considerable resources that would be necessary to develop,

⁵⁵ The RIF presumably could develop through its own procedures a transparent process for establishing consensus positions and a definition of what constitutes a consensus.

maintain and support such a body seem out of proportion to the relatively narrow and specific interests it would address

The GRC instead recommends finding a way for federal PMAs and consumer-owned utilities to participate in the existing BOSR. Specifically, we propose that the BOSR be asked to establish *ex officio* liaison positions for PMAs and consumer-owned utilities who participate in the EIM. These liaisons would not vote on any positions that may be taken by the BOSR, but they would participate in BOSR meetings and provide the BOSR membership with a PMA/consumer-owned utility perspective. The GRC recommends a limited number of liaison positions be considered for federal PMAs and for consumer-owned utilities, and we request stakeholder comment on this issue.

We believe this proposal offers a balanced way to ensure that the regulatory perspective of PMAs and consumer-owned utilities is heard, without unduly interfering with the existing structure of the BOSR, which has successfully operated for the last five years. The GRC seeks comment from all stakeholders on this proposal, but seeks input in particular from the BOSR, whose support certainly would be needed for any such proposal to take effect.

Issue 4: Other Potential Areas for Governing Body Involvement – Annual Policy Initiatives Roadmap Process

In this section, the GRC considers other issues, including the role of the Governing Body in the annual policy roadmap, a possible expanded role with respect to the Department of Market Monitoring and the Market Surveillance Committee, and whether the Governing Body should have access to additional outside market expertise. This section also addresses the question whether the BOSR should receive funding through the CAISO.

I. Annual Policy Initiatives Roadmap

A. Introduction

The Scoping Paper sought comment on the role of the Governing Body in finalizing the Policy Initiatives Roadmap. We first provide background about the current process, followed by a summary of stakeholder comments and our recommendation.

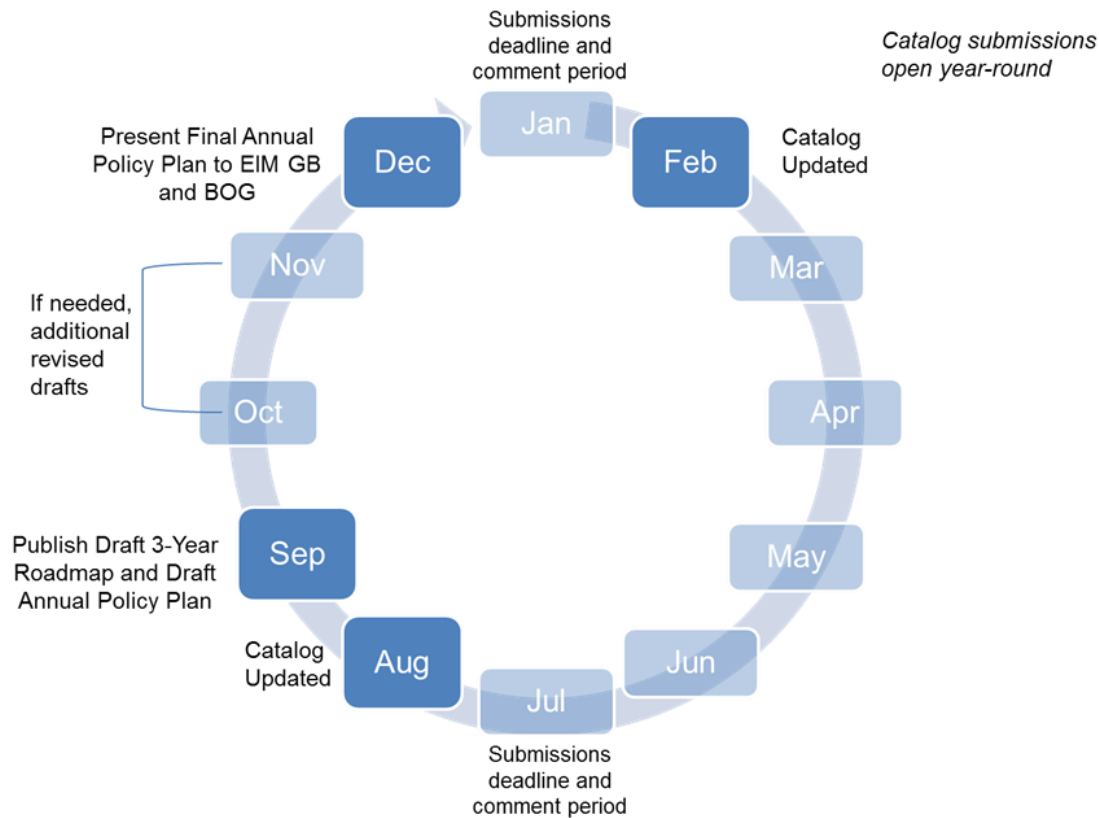
B. Background: The Process for Developing the Roadmap

The Annual Policy Initiatives Plan and the Three-Year Policy Roadmap are plans for initiatives designed to enhance the market. These initiatives are developed through CAISO's open stakeholder process and, in most cases, involve changes to the tariff.

The starting point for the Roadmap is the Policy Initiatives Catalog, which shows all current, planned, and potential initiatives. A draft of the Catalog is assembled using information about possible initiatives gathered through discussions with stakeholders (for example in the EIM quarterly meetings) and with other CAISO business units. Each initiative is classified and prioritized according to whether it is in progress already, a previous commitment of CAISO, required by FERC order, or discretionary. Drafts are

published twice a year in February and August, following periods for stakeholder comment, which offers another chance to propose initiatives.

The timeline for the process is depicted below.



Annual Policy Roadmap stakeholder process timeline

From the catalog of initiatives, the CAISO first creates a three-year roadmap for evolving the CAISO market structure. To decide which initiatives to include, CAISO undertakes both an extensive internal review and a public stakeholder process. The three-year roadmap is also informed by CAISO’s strategic plan as to how its markets need to evolve over time, which is established by the Board and the Governing Body. Sharing the three-year roadmap with stakeholders helps show them how the longer-term planning horizon may ultimately impact the annual plan. It also helps the CAISO and stakeholders understand the dependencies and interrelationship between potential policy initiatives and implementation issues, such as synergies that may exist in making certain system changes together at one time, rather than on serial basis.

Together with the three-year roadmap, CAISO circulates a proposed annual policy initiatives plan showing initiatives the CAISO expects to address in the next year with an approximate schedule. After each published draft, CAISO holds calls in which stakeholders can provide input on any aspect of the policy initiative process. CAISO staff considers stakeholder comments, input from meetings with customers, and input from the

RIF, the Governing Body, and the Board. Based on this feedback, the CAISO may revise the draft documents and, if it does, will publish updated drafts for further comment.

The final three-year roadmap and Annual Policy Initiatives Roadmap are published in late November or early December and includes summaries of stakeholder comments. The Director of Market and Infrastructure Policy then briefs the Governing Body and the Board during the public sessions of their December meetings. Although both bodies provide input throughout the process, neither the Board nor the Governing Body approves the Final Annual Initiatives Policy Roadmap. The final determination of the Roadmap is left to the discretion of management.

As the plans move forward through the following year, there are always deviations of varying degrees. New initiatives can be added as the result of FERC orders, new information (such as the understanding of neutrality charges that led to the “real-time market neutrality” initiative in 2019), or outside events (such as the shutdown of Aliso Canyon). These developments lead to changes in other initiatives, which also can be delayed simply because they require more work than originally anticipated. All such deviations are communicated to the Governing Body and Board and explained in detail. In addition, management provides quarterly updates on the status of the annual policy initiatives roadmap to the Governing Body to highlight the status and any deviations from the final plan.

C. Summary of Comments

Some stakeholders advocate that the Policy Initiatives Roadmap should be approved by formal a vote of the Governing Body or both the Board and the Governing Body. These commenters seek to ensure that the Governing Body has input into the policy direction and priorities of market initiatives that are important to EIM participants.

Other stakeholders recommend that CAISO management retain authority to prepare and finalize the Roadmap with input from the Governing Body and the Board.

D. GRC Recommendation

The GRC considered proposing revisions to the Roadmap process that would require a vote of approval from the Governing Body, the Board, or both. After refining and weighing several options, the GRC decided to recommend that the CAISO should continue the current process. This process involves multiple rounds of stakeholder input, after which management reviews the three-year vision and the annual Policy Initiatives Roadmap with both the Governing Body and Board to obtain their input, but without seeking formal approval.

We believe that requiring formal approval of the Roadmap would negatively impact the flexibility, efficiency and productivity of the CAISO in advancing policy initiatives, because it would necessarily entail that any deviations from the Roadmap also require formal approval. This would mean that changes to an initiative during the course of a year – which happens invariably – could be delayed because of the notice and posting requirements for Governing Body and Board general sessions. Prioritizing initiatives is a

complex and many-faceted undertaking that involves detailed consideration of technological synergies and constraints, as well as the many other dependencies that exist between and among the various projects the CAISO undertakes. The GRC believes that management is best suited, with the benefit of robust input from stakeholders and the Governing Body and Board, to perform this balancing and ensure that issues important to the EIM and EDAM markets are appropriately prioritized relative to the total set of issues CAISO must address. With that said, we encourage management to make a deliberate effort to explain the reasoning behind its decisions about the relative priority of possible initiatives when it is seeking feedback from stakeholders about drafts of the Roadmap.

II. Governing Body Role with Department of Market Monitoring, Market Surveillance Committee and Outside Market Expert

A. Introduction

The Scoping Paper asked stakeholders to comment on whether the Governing Body should have a role in the oversight of DMM or the MSC, and whether additional expertise separate from DMM or MSC should be available to the Governing Body to assess market design and performance issues.

Both the Charter and Guidance Document state that the Governing Body will have access to all information, facilities and personnel of the CAISO. And all personnel, including DMM and MSC, support the work of the Governing Body in the same way they currently support the Board. The Board and the Governing Body receive most of their technical support on market design issues from the CAISO staff, primarily the Department of Market and Infrastructure Policy. Two other sources of technical support are the DMM and the MSC.

The DMM is an internal business unit of the CAISO that serves as its “market monitor.” FERC requires every ISO and RTO to have a market monitoring unit, either internal or external, that is responsible for three core functions: evaluating existing and proposed market rules, reporting on the performance of the markets, and reporting potential market rule violations.⁵⁶ The market monitoring unit is subject to enhanced rules regarding independence,⁵⁷ and must report directly to the board of the ISO or RTO with any

⁵⁶ Wholesale Competition in Regions with Organized Electric Markets, Order No. 719, FERC Stats. & Regs. ¶ 31,281 (2008) and 18 C.F.R. § 35.28(g)(3)(ii).

⁵⁷ The term “independence,” in the context of an “independent system operator,” refers to the independence of decision makers from market participants. *See also* 18 C.F.R. § 35.34(j) (“The Regional Transmission Organization must be independent of any market participant”). While all employees of ISOs and RTOs must comply with rules prohibiting conflicts of interest, FERC imposes additional independence requirements on the staff of a market monitor. *See* 18 C.F.R. § 35.28(g)(3)(vi).

management members removed.⁵⁸ The Board has established a committee of two Governors to fulfill this responsibility, the DMM Oversight Committee, which oversees DMM’s administration, business plan and performance. Because this Committee discusses both market monitoring and personnel matters, it meets in executive session.

The Governing Body receives support from DMM. The Executive Director of DMM or his delegate provide the Governing Body with regular updates on DMM activities and its views on market performance. To the extent DMM takes a position on a decisional item, its comments are provided to the Governing Body. The Governing Body also may request DMM’s input on specific issues.⁵⁹

The MSC is a committee of three outside experts on electricity markets – currently two professors and a consultant – that provides input on market initiatives.⁶⁰ Although the MSC may express opinions on the CAISO market monitoring program conducted by DMM,⁶¹ it is not CAISO’s market monitor and does not perform the core functions of a market monitor. MSC primarily issues opinions on market design proposals and makes related presentations to the Board, as requested. MSC members are nominated by the CAISO CEO and appointed by the Board for three-year staggered terms.

The Governing Body may request input from the MSC, and has done so on one occasion. If such requests became more common, the Governing Body would work with management to plan for them in the annual budget cycle.

B. Summary of Comments

Twelve entities⁶² submitted comments supporting a range of proposals. At one end of the spectrum, commenters advocated for continuing the status quo. These commenters took the position that DMM and MSC provide sufficient market expertise, and that retaining a new outside market expert or other resources for the Governing Body would be duplicative. Some raised a concern that changing the reporting relationship of the DMM might run afoul of FERC requirements.

⁵⁸ 18 C.F.R. §35.28(g)(3)(D).

⁵⁹ See Guidance Document § III (“All ISO personnel, including the Department of Market Monitoring and the Market Surveillance Committee, should support the work of the EIM Governing Body in the same way they currently support the work of the Board”; Charter § 3.1 (“The ISO will assign a full-time staff member to ... ensure that other ISO personnel provide any support needed by the EIM Governing Body”).

⁶⁰ See generally Tariff Appendix O § 5.

⁶¹ Tariff Appendix O § 5.5.

⁶² AWEA, BPA, BOSR, Chelan, CPUC ED, EIM Entities, PG&E, PGP, PIO, PPC/NRU, NV Energy, SCE.

Other commenters suggested that, for institutional reasons including the fact that they report to the California-appointed Board, DMM and MSC focus on market impacts to California load and do not place sufficient emphasis on the remainder of the EIM (or EDAM) footprint. As a way to counterbalance this perceived dynamic, some commenters proposed that the Governing Body should have a role in overseeing the DMM, or that the DMM's reporting relationship should be transferred to the Governing Body as it relates to the real-time market (and the day-ahead market as well if EDAM moves forward). These commenters also generally advocate for a role for the Governing Body in the appointment of MSC members.

For related reasons, some commenters also proposed that the Governing Body should have access to additional market expertise apart from DMM and MSC. Many of these comments linked this position to the possibility of moving ahead with EDAM. They explained that outside expertise would be particularly important as EDAM ramps up because it poses many issues that are complex, entirely new, and are likely to have a significant effect on the benefits across the entire footprint. With that said, some commenters want the Governing Body to have access to outside expertise even if EDAM does not move forward.

C. GRC Proposal re DMM, MSC and Outside Market Expertise

Given the proposal for joint decision authority, the GRC believes it is necessary for the Governing Body and the Board to have equal access to market data, information and analysis produced by DMM and MSC. We propose specific changes that are meant to reassure EIM participants that the work of DMM and the MSC will benefit the entire market footprint, regardless of whether EDAM goes forward. First, a member of the Governing Body should participate in the meetings of the DMM Oversight Committee and, second, the Governing Body should have joint authority over appointments to MSC. In addition, if EDAM moves ahead, we recommend that the Governing Body be given access to additional outside expertise on market issues. Each of these proposals is explained below.

(i) A Governing Body member should participate in meetings of the DMM Oversight Committee.

While commenters expressed a range of views about giving the Governing Body a role in overseeing DMM, the legal framework around DMM narrows significantly our possible recommendations. FERC regulations require that a market monitor must report to the ISO or RTO's board of directors with management members removed.⁶³ A member of the Governing Body, or any other person who is not a member of the Board, also may not serve as a voting member of the Board's DMM Oversight Committee under applicable corporate law.⁶⁴

⁶³ See 18 CFR § 35.28(g)(3)(i)(D).

⁶⁴ California Corporations Code § 5212(b) provides that a "committee exercising the authority of the board shall not include as members persons who are not directors." This

Notwithstanding that limitation, we recommend that a Governing Body member is invited to attend the executive session meetings of the DMM Oversight Committee and participate in the discussions.⁶⁵ We propose this step as a way to reassure EIM participants and stakeholders that DMM is monitoring the entire market footprint. We anticipate that a Governing Body member who participates in their meetings will be able to report back to the full Governing Body, at a general level appropriate to protect any confidential information, regarding the work of the Oversight Committee and DMM. The participation and advice of this member during committee meetings should also provide another means to ensure that DMM has the benefit of the perspectives of the Governing Body.

(ii) The Governing Body should have joint authority over the approval of MSC members

The MSC is an important existing source of outside expertise on CAISO market issues, and should be an important check on the work of CAISO staff, including DMM. To mitigate the concerns of EIM participants and assure that the MSC is institutionally oriented to evaluating the effect of market initiatives and other issues on the full market footprint, the GRC recommends that the Governing Body have joint authority to approve members of the MSC. Those members would continue to be nominated by the CEO, but would need approval from both the Governing Body and the Board. This arrangement should give all market participants increased confidence that the work of the MSC is based on considering of the interest of the market as a whole.

(iii) If EDAM moves forward, the Governing Body should have access to additional outside market expertise

A consistent theme in many of the comments of EIM market participants is that the Governing Body should have access to additional market expertise, apart from DMM and the MSC, in the form of a consultant or firm under contract to provide analysis at the direction of the Governing Body. The concern of the commenters is that the historical focus and expertise is rooted in California directed policies and the interest of California load. The GRC believes that outside market expertise provides an important external perspective to bolster confidence in the market and encourage participation in EIM and EDAM.

We recognize that several factors weigh against procuring the services of an outside market expert. To begin with, the input that the Governing Body and Board receive from CAISO staff is vetted through the CAISO's open stakeholder process, which allows

section also clarifies that a board may create other committees that include persons who are not directors, but only if they “do not exercise the authority of the board.” Section 5212(a)(8) effectively imposes the same restriction with respect to a full board – only board members may cast votes.

⁶⁵ The GRC recognizes that the DMM Oversight Committee may need to exclude the Governing Body member from discussions of some confidential personnel matters.

stakeholders to comment on or provide their own competing analysis of significant issues. The Governing Body also already has access to the considerable expertise of the MSC and the GRC's initial proposal about the MSC, if adopted, should instill increased confidence in EIM participants. Adding another layer of expertise will increase cost and incrementally increase the complexity of the existing policy development process.

With that said, we believe the cost and complexity associated with additional outside expertise would be worthwhile if CAISO proceeds with EDAM. The final design and initial implementation of EDAM will have long-term implications for the entities considering investment, and pose issues of great complexity. To ensure a careful analysis of these issues and their impact on the full market footprint, the Governing Body should be authorized and provided a sufficient budget for a new outside market expert (OME) that it would select⁶⁶. The OME could begin work before any final decision on the EDAM market design, and thereafter analyze implementation and evaluate the impact of market policies. It would rely on CAISO staff only to obtain access to sufficient market data to perform this analysis – work that it would perform on its own. It would not be involved in market monitoring. We believe this arrangement would increase confidence among potential EDAM participants that the full impact of market issues is being assessed.

At the direction of the Governing Body, the OME should receive a multi-year contract designed to attract talented candidates. The term of the contract should be no more than five years so that the need for an OME may be reconsidered on a timely basis and with the benefit of experience with the other changes we are proposing.

Without EDAM, the need for additional outside expertise is not as clear. We would leave this issue to be worked out between the Governing Body and the Board. If the Governing Body concludes that it needs access to an outside expert in order to evaluate specific issues, we believe that nothing would prevent the Governing Body from proposing an arrangement to the Board along the lines described above.

III. Possible funding for the Body of State Regulators

A. Introduction

The Scoping Paper asked for comment on whether the CAISO should provide funding for the BOSR to obtain resources that would allow it to participate more effectively in EIM stakeholder processes. In addition to the basic question of whether a funding mechanism would be appropriate, the paper asked subsidiary questions including: How should the amount of funding be determined? What specific activities should any funding enable and what kind of oversight would be required? Should funding be made available even if an EDAM is not established? And should the GRC even take a position on these questions?

B. Background

⁶⁶ These costs would be part of the EIM Governing Body's budget.

The BOSR is a self-governing body composed of one commissioner from each state public utilities commission in which regulated utilities participate in the EIM, which currently includes Arizona, California, Idaho, Nevada, Oregon, Utah, Washington and Wyoming. The BOSR may express any common positions in the CAISO stakeholder processes or to the Governing Body.

The Charter provides that CAISO will reimburse travel expenses incurred by one representative from each state commission to attend meetings, to the extent permitted under applicable state ethics rules, although this option has not been exercised often by BOSR members. Additionally, the CAISO assists with training, access to subject matter experts, and provides funding for the BOSR meeting room expenses for two in-person meetings per year.

Due to the success of EIM and potential expansion to a day-ahead market, in 2019 the BOSR decided that in order to more fully participate in CAISO policy initiatives it would need additional resources. The BOSR entered into a memorandum of understanding with the Western Interstate Energy Board (WIEB) to the effect that, if BOSR could procure the necessary funding, WIEB staff could provide the technical assistance that BOSR is seeking. As contemplated in that memorandum, the BOSR has requested funding through CAISO.

The multi-state RTOs have committees for state representatives. A description of these organizations, including the funding they receive, is provided in the table in Appendix B. Annual funding ranges from \$200,000 to more than \$2 million, depending on whether the organization simply funds travel and meetings or has permanent staff.

Funding could require more formality than the BOSR currently has. The other state committees are organized as nonprofit business entities. Most have a staff; and each produces an annual report of its expenses and activities to the RTO. The duties and limitations of each organization are detailed in their respective charters.

C. Summary of Comments

Commenters are largely in alignment that there would be an overall benefit associated with active engagement by the BOSR in policy initiatives, and thus of additional support for the BOSR to enable this. There is a divergence in perspectives, however, on an appropriate source of funding. A number of commenters raised concerns with funding BOSR through the CAISO tariff, including potential equity issues if funding were not also made available to other stakeholders. Other commenters contend that the interests of state regulators, and BOSR in particular, are unique and justify unique treatment. A number of commenters raise particular concern about the possibility that a CAISO charge to fund BOSR might be assessed to all market participants, including consumer-owned utilities, when BOSR represents only the customers of investor-owned utilities.

There was also a divergence of opinion as to the relevance of funding structures at multi-state RTOs. Some commenters point out that, in contrast to those RTOs, states participating in EIM or EDAM are not relinquishing jurisdiction over traditional areas of

state authority, such as resource adequacy and transmission cost allocation. Others take the position that the RTO models are instructive for EIM and EDAM.

D. GRC Proposal

The GRC agrees with the BOSR and many other commenters that there would be value in greater engagement by the BOSR in policy initiatives. State engagement through the BOSR can help to ensure the success of the EIM (and EDAM), because it can help streamline state approval and cost recovery processes. Accordingly, the GRC supports an appropriate mechanism through which the BOSR could obtain the funding necessary for enhanced participation.

The source of such funding, however, is a thornier issue. The GRC agrees with commenters that a charge through the tariff could be inequitable to some market participants if not specifically assigned to state-jurisdictional entities. While the GRC believes that an appropriate funding source would be the state commission jurisdictional utilities that participate in EIM or EDAM, it is not prepared to propose a specific mechanism, and instead asks stakeholders for proposals. The GRC understands that the utilities subject to the jurisdiction of their state commissions are engaging directly with the BOSR to explore alternative sources of funding. The GRC encourages these efforts.

Issue 5: Governing Body Mission Statement

In the Scoping Paper the GRC sought feedback on the EIM Transitional Committee's guiding principles, which were later incorporated into the Charter as a mission statement for the Governing Body. The GRC requested stakeholder comment specifically on how the Transitional Committee's principles may apply to the GRC's work. Based on stakeholder feedback, the GRC has developed a set of guiding principles for our work. Those guiding principles, which are set forth in Section II of this paper, generally focus on ensuring that our governance proposals promote broad confidence in the EIM, comply with applicable legal and regulatory constraints, and are established through an open and transparent stakeholder process.

Through the course of evaluating stakeholder comments and developing the guiding principles for the GRC, we determined that it also would be useful to consider how the Governing Body's mission is articulated in the Charter. In this straw proposal, the GRC seeks feedback on any potential modifications to the mission of the Governing Body, both in context of EIM and for a potential EDAM.

The mission of the Governing Body is delineated in Section 2.1 of the Charter for Energy Imbalance Market Governance and reads as follows:

Mission: The EIM Governing Body shall promote, protect and expand the success of EIM for the benefit of its participants as a whole, with due consideration of the interests of all participants in the ISO's real-time market, including both participants transacting in the ISO's balancing authority area and participants transacting in EIM balancing authority areas (meaning the balancing authority areas of EIM Entities, collectively).

The EIM Governing Body shall make decisions and recommendations that will:

- Help control costs to ensure that favorable cost/benefit ratios are maintained for the benefit of market participants;
- Protect the ISO market, including the EIM, its participants, and consumers against the exercise of market power or manipulation and otherwise further just and reasonable market outcomes;
- Facilitate and maintain compliance with other applicable legal requirements, including but not limited to environmental regulations and states' renewable energy goals;
- Allow EIM Entities to withdraw from the EIM prior to any action that would cause or create an exit fee; and
- Allow options to expand the functionality of the ISO market to provide additional services.

Initial View and Request for Stakeholder Feedback

The GRC does not have any changes to the mission statement to recommend at this time. We believe the mission statement is sound as currently drafted and seems generally appropriate for EIM and for a future market that may include EDAM.

The GRC recognizes, however, that a transition to EDAM could result in a need to update the mission and the decision-making criteria at least in some respects. As EDAM is in the early stage of its development, it is challenging to contemplate appropriate modifications until more is known about the market design. Therefore, the GRC reserves further recommendations in this area until more specifics about the proposed EDAM market design are known.

In the meantime, since the Scoping Paper did not specifically seek feedback on the mission statement in the Charter, the GRC welcomes any further stakeholder may have on this topic, including in the following areas:

- 1) *Should the Governing Body Mission be updated to reflect the potential evolution to EDAM?*
- 2) *If so, at what point in time should any EDAM-specific changes to the mission statement be considered? And should consideration of such changes be undertaken as part of the GRC process or through some other means?*

Issue 6: Other Potential Topics for Consideration

Governance Reevaluation

The GRC recommends a stakeholder-led review of the governance structure no later than five years after any new governance structures have been implemented as a result of this GRC process. Commenters supported a requirement to review the new governance

structures and practices within this general timeframe. The GRC makes this recommendation regardless of the timing associated with creating an EDAM and any further governance changes that may be specific to EDAM. Thus, if certain governance changes are established for EIM before the EDAM is created, then the five-year period would run from the time that those initial “EIM-only” changes are implemented.

Timing of Implementation of GRC Recommendations

At this time, the GRC recommends maintaining our established schedule, in which we plan to submit a draft final proposal on governance to the Governing Body and Board by Q1 2021. The GRC recognizes that waiting for more details on the EDAM market design could help to inform any proposals that may specifically apply to EDAM. But waiting until that time would delay the many recommendations that apply to EIM and EDAM equally. The GRC believes that many, if not most, of the changes we will ultimately propose are likely to apply equally to the EIM and the EDAM. For this reason, we think they should be made available to the Governing Body and Board as soon as they are ready, so that those bodies can consider whether to implement some or all aspects of those proposals before a future EDAM is approved and implemented.

Assuming the GRC ultimately follows this approach and presents its draft final proposal on governance to the Governing Body and the Board in early 2021, there should probably be some further opportunity to re-evaluate any EDAM-specific aspects of the proposal once the proposed EDAM market design is better known. To that end, we would recommend that the GRC remain available after submission of its proposal to further consider any EDAM-specific aspects once the CAISO staff has developed a draft final proposal that addresses all of the main elements of the proposed EDAM market design. This could occur, for example, immediately prior to the submission of the EDAM market design draft final proposal to the Governing Body and Board for approval. The Governing Body and Board also could request that the GRC review or re-evaluate any element of governance prior to their adoption of final EDAM market design.

The GRC encourages stakeholders to provide comments on these timing issues, in addition to on the rest of the substantive matters in this paper.

IV. Summary of Recommendations

For ease of reference, the following is a chart that summarizes the recommendations the GRC has made throughout this paper:

Issue	Recommendation
Issue 1 – Delegation of Authority (in EDAM context)	<ul style="list-style-type: none"> • GB and Board have joint authority over Day-Ahead and Real-Time market design Issues.
	<ul style="list-style-type: none"> • GB and Board each must approve by a majority vote any proposals involving tariff changes to Day-Ahead and Real-Time markets.
	<ul style="list-style-type: none"> • Approvals would typically occur during joint meetings of the two bodies, which would occur throughout the market footprint (or virtually).
	<ul style="list-style-type: none"> • Dispute Resolution – Iterative process that involves going back to stakeholders for further policy development if the two bodies do not agree on a proposal. After doing so, retain last resort option of filing two proposals with FERC. Retain an exigent circumstances provision similar to the current one.
	<ul style="list-style-type: none"> • Durability – Changing the scope of delegation would require a unanimous vote of the Board with advisory input from GB and input of BOSR and stakeholders. Any changes also cannot be implemented before a notice period equal to any EIM/EDAM exit notice period.
Issue 1 – Delegation of Authority (in EIM Only context)	<ul style="list-style-type: none"> • Implement joint authority (as defined above) over the real-time market only
	<ul style="list-style-type: none"> • Implement prior to EDAM with triggers for expansion of joint authority to the day-ahead market, with FERC approval of the new market tariff as a part of the trigger.
Issue 2 – Selection of Governing Body Members	<ul style="list-style-type: none"> • Make PIO/Consumer Advocates sector a voting member of Nominating Committee.
	<ul style="list-style-type: none"> • Permit a 60-day “holdover period” for GB members
	<ul style="list-style-type: none"> • Add language for nominating committee to determine diverse quality to complement remaining members and add geographic background, ethnicity, gender and perspective to diversity considerations.
Issue 3 – Stakeholder Engagement	<ul style="list-style-type: none"> • Modify the RIF – remove limitation, and encourage engagement, on issues that are in active stakeholder processes, with a goal toward increased stakeholder understanding and collaboration.
Issue 3 – POU/PMA Representation on BOSR	<ul style="list-style-type: none"> • Support the concept of consumer-owned utilities/PMA non-voting liaisons to the BOSR. Does not support an additional committee for consumer- owned utilities.

Issue	Recommendation
<p style="text-align: center;">Issue 4– Governing Body Role on OME/MSC/ DMM</p>	<ul style="list-style-type: none"> • The GB would have an advisory role on the DMM Oversight Committee
	<ul style="list-style-type: none"> • The GB would have joint authority with the Board in the approval of MSC members
	<ul style="list-style-type: none"> • If EDAM goes forward, the GB should be able to contract for and select an outside market expert to provide expertise about the development and implementation of EDAM.
	<ul style="list-style-type: none"> • The market expert would have access to sufficient data to comment to the GB on policy and implementation issues and conduct routine evaluation of the impacts of market policies. The market expert would not be involved in market monitoring.
	<ul style="list-style-type: none"> • The market expert function will be re-evaluated within 5 years of initiation.
	<ul style="list-style-type: none"> • In an EIM-only scenario, GRC recommends leaving it to the Governing Body to propose the use of an expert if they believe that is necessary.
<p style="text-align: center;">Issue 4 – BOSR Funding</p>	<ul style="list-style-type: none"> • GRC agrees that there is value in greater technical expertise to support BOSR members.
	<ul style="list-style-type: none"> • GRC not recommending specific source of funding, but agrees that a likely and appropriate funding source for BOSR is from EIM entities that are subject to state commission jurisdiction in the EIM and/or EDAM markets.
<p style="text-align: center;">Issue 5 – Governing Body Mission Statement and Criteria for Decision Making</p>	<ul style="list-style-type: none"> • No changes recommended to GB Mission Statement and Criteria
<p style="text-align: center;">Issue 6 – Other Areas</p>	<ul style="list-style-type: none"> • There would be a governance re-evaluation no later than 5 years from adoption of new governance features by the GB and Board
	<ul style="list-style-type: none"> • Maintain current schedule of submitting a draft final proposal by Q1 of 2021. Allow both bodies to consider whether to implement some or all aspects of those proposals before EDAM is implemented.
	<ul style="list-style-type: none"> • The GRC would remain available to re-evaluate any element of governance prior to their adoption of final EDAM market design.

V. Next Steps

On August 7, 2020, the GRC will hold a stakeholder call to discuss this proposal and solicit views from stakeholders. Written comments will be due on August 28. Stakeholder input is critical for developing a robust EIM governance proposal. In addition to the recommendations posed in Section IV above, commenters may also address the timeline described below for this committee's work and its relationship to the timeline for EDAM market design or to other processes that are viewed as relevant. The comments template for the EIM Governance Review initiative will be available in the new commenting tool on August 10. A link to access the template will be available on the initiative page at <http://www.caiso.com/StakeholderProcesses/Western-EIM-governance-review>.

The GRC tentatively plans to meet as follows:

- Sep. 15, 2020 by webinar
- Oct. 28, 2020 by webinar
- Nov. 5, 2020 by webinar
- Dec. 1, 2020 by webinar

Although the need for and format (in-person or webinar) of these meetings is yet to be determined, the tentative dates are coordinated around other established events that typically attract regional stakeholders, such as meetings of the Governing Body or the Committee on Regional Electric Power Cooperation (CREPC). We are still working to publish a revised straw proposal in Q4 2020 and produce a draft final proposal in Q1 2021 depending on the depth and breadth of comments received on this straw proposal.

Appendix A: Overview of Legal Issues Relevant to Governance

A key component of EIM governance is the Governing Body's role in approving CAISO filings under Section 205 of the Federal Power Act. This Appendix reviews certain legal requirements that restrict CAISO's ability to delegate authority. These include limitations arising from both general corporate law, as well as from restrictions that apply uniquely to the CAISO by virtue of its tax-exempt status and the California statutes that govern it.

General Corporate Law Considerations

As the board of directors for the corporation, the CAISO Board of Governors is legally responsible for all corporate activities, which must be under its "ultimate supervision." For CAISO, the primary source of this obligation is Section 5210 of the California Corporations Code, which governs nonprofit, public benefit corporations. It states, in part, that "the activities and affairs of a corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board." This language, and in particular the phrase "or under the direction," recognizes that corporate boards ordinarily cannot directly exercise every aspect of their corporate powers and thus may delegate responsibility to employees and others in order to operate. But when a board delegates, it remains accountable for corporate activities, and therefore must have ultimate control over them. Section 5210 makes this point expressly, further stating that: "The board may delegate the management of activities of the corporation to any person or persons, management company, or committee however composed, *provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the board.*"⁶⁷

The requirement that "all corporate powers shall be exercised under the ultimate direction of the board" is an accountability provision, highlighting the board's fiduciary obligations to the company. This accountability is an explicit condition of a board's authority to delegate, meaning that a board may delegate performance of corporate actions, but not the *responsibility* for those actions. A board discharges its fiduciary obligations to the company through its oversight and supervision for the actions, and these duties may not be handed over to others.

⁶⁷ Italics added. The full text of Corporations Code § 5210 reads:

Each corporation shall have a board of directors. Subject to the provisions of this part and any limitations in the articles or bylaws relating to action required to be approved by the members (Section 5034), or by a majority of all members (Section 5033), the activities and affairs of a corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the board. The board may delegate the management of the activities of the corporation to any person or persons, Management Company, or committee however composed, provided that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the board.

To illustrate, a board may hire a CEO and other officers to manage a business. But the board remains responsible and accountable for what these officers do, including, for example, for the strategy undertaken to meet the corporation's fundamental objectives and for how corporate resources are allocated and deployed. Failure to provide guidance to the officers, monitor what they are doing, and oversee them can result in board members being liable for breach of their fiduciary duties to the corporation, and violation of other legal requirements.⁶⁸ Under Section 5210, completely delegating the Board's oversight responsibility would be the same as not fulfilling it.

The import of the statute, then, before considering other legal or practical limitations, is that the CAISO Board may delegate direct oversight of defined functions to the Governing Body, much like it does in delegating management to executive officers and staff. It cannot, however, make an irrevocable and complete delegation of fundamental aspects of the corporation's ongoing operations. In other words, it must maintain ultimate authority over those delegated functions.

CAISO's Tax-Exempt Status

As ultimate authority over all corporate actions, a board is responsible for ensuring the corporation complies with applicable laws.⁶⁹ An important set of restrictions arises from the CAISO's tax-exempt status. This exemption benefits market participants through lower costs, by reducing the CAISO's tax obligations and allowing it to use tax-exempt financing. To continue these benefits and avoid substantial penalties and liability, the CAISO must remain in compliance with the requirements of its 501(c)(3) exemption.

The CAISO's particular exempt status depends upon an ongoing ability to show that the CAISO's activities meet its corporate purpose, consistent with California law, and that the Board is supervising these activities. Within the general category of 501(c)(3) organizations – there are different types – the CAISO is a public charity as opposed to a private foundation, and specifically a “supporting organization.” The CAISO qualifies as a supporting organization because its operations and market promote the reliability and the efficiency of the grid in California as required by AB 1890, the 1996 state legislation that led to the incorporation of the CAISO. EIM supports these goals too, as would EDAM. While EIM (and if it is adopted, EDAM) obviously benefit other balancing authority areas as well, the CAISO is able to undertake these activities within the

⁶⁸ See *Stern v. Lucy Webb Hayes National Training School for Deaconesses*, 381 F. Supp. 1003 (D.D.C. 1974):

Total abdication of the supervisory role . . . is improper A director whose failure to supervise permits negligent mismanagement by others to go unchecked has committed an independent wrong against the corporation.

⁶⁹ See, e.g., Cal. Corp. Code § 5140 (a corporation is granted power to act “[s]ubject to . . . compliance with . . . applicable laws”).

parameters of its tax exemption because these markets support the CAISO corporate purpose of enhancing the reliability and efficiency of the grid in California.

The CAISO Board’s authority over the corporation is also essential to demonstrating it is a supporting organization. IRS regulations require that the “supported organization” – in this case, the State of California – must supervise or control the supporting organization. In the case of CAISO, this relationship is established by the fact that its Board is selected by California officials, as required by California law.⁷⁰ An attempt to remove the Board entirely from certain decisions, for example by allowing the Governing Body to direct changes to market rules without some form of review by the Board or by irrevocably preventing the Board from changing any delegation or sharing of authority, could jeopardize the CAISO’s ability to maintain its exempt status.⁷¹

Conclusion

To ensure that CAISO complies with these requirements, the Board must retain two levels of control in the context of delegating authority to or sharing authority with the Governing Body. First, the Board must have the ability to modify its delegation or sharing of authority over time if the delegation or sharing threatens to prevent it performing its ultimate oversight authority as required by Corporations Code 5210, or otherwise impairs its ability to successfully ensure compliance with applicable law and other requirements. Second, the Board needs to have some form of a concurring role in decisions about changes to market rules in order to preserve the showing of control needed to maintain its tax-exempt status and to discharge its ultimate responsibility to manage the company and exercise its fiduciary duty to the corporation.

⁷⁰ See Cal. Pub. Utils. Code § 337, which provides that Board members will be selected by the Governor of California, and also that members may not be “affiliated with any actual or potential” market participant.

⁷¹ Along the same lines, the CAISO’s outstanding tax-exempt bonds impose restrictions on the use of the CAISO’s main offices for any reasons other than the CAISO’s exempt purpose. Compliance with this requirement could be jeopardized if the EIM Governing Body could, without approval by the Board of Governors, direct staff to pursue activities that might be found to fall outside the CAISO’s exempt purposes.

Appendix B: Summary of Multi-State RTO State Committees

Entity	Role and Activities	Funding
<p>Organization of MISO States (OMS)</p> <p>Website: http://www.misostates.org/</p> <p>OMS is a non-profit, public benefit corporation, incorporated in Indiana.</p> <p>The board consists of one regulator from each State or Province in the OMS footprint, plus an official from the New Orleans City Council Utilities Regulatory Office.</p>	<p>Advisory and shares Section 205 rights regarding cost allocation for certain new regional transmission projects.</p> <p>Purpose as stated in OMS Articles of Incorporation:</p> <p>“Providing a means for the MISO States to act in concert, when deemed to be in the common interest of their affected publics, on activities, such as (but not limited to) data collection and dissemination, issue analysis, policy formation, advice and consultation, decision-making and advocacy, related to (i) the electricity generation and transmission system serving the MISO States, (ii) MISO’s operations, (iii) related FERC matters, including (but not limited to) FERC’s open access, RTO and market design initiatives, and (iv) the jurisdiction and role of the</p>	<p>Grant for 2019: \$1,539,404 Grant for 2020: \$1,433,839</p> <p>Source: Budgets on website</p> <p>https://www.misostates.org/index.php/about/organization-docs</p>

Entity	Role and Activities	Funding
	MISO states to regulate and promote the electric utilities and systems within their respective boundaries.”	

<p>Regional States Committee (RSC) (Southwest Power Pool)</p> <p>Homepage: http://www.spp.org/organizational-groups/regional-state-committee/</p> <p>RSC is a non-profit corporation incorporated in Arkansas.</p> <p>The board consists of one retail regulatory commissioner each from the agencies located in Arkansas, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota and Texas.</p>	<p>Advisory, with shared rights under Section 205 to file a proposal over certain issues that were key to establishing SPP.</p> <p>From the SPP bylaws:</p> <p>“The RSC has primary responsibility for determining regional proposals and the transition process in the following areas: (a) whether and to what extent participant funding will be used for transmission enhancements; (b) whether license plate or postage stamp rates will be used for the regional access charge; (c) FTR allocation, where a locational price methodology is used; and (d) the transition mechanism to be used to assure that existing firm customers receive FTRs equivalent to the customers’ existing firm rights. The RSC will also determine the approach for resource adequacy across the entire region. In addition, with respect to transmission planning, the RSC</p>	<p>Expenses in 2018: \$222,745</p> <p>Source: Form 990 for Southwest Power Pool Regional State Committee, filed September 30, 2019</p> <p>Available through multiple websites</p>
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Entity	Role and Activities	Funding
	<p>will determine whether transmission upgrades for remote resources will be included in the regional transmission planning process and the role of transmission owners in proposing transmission upgrades in the regional planning process.”</p>	
<p>New England States Committee on Electricity (NESCOE)</p> <p>(ISO New England)</p> <p>Website: http://nescoe.com/</p> <p>NESCOE is a non-profit corporation with its principal place of business in Massachusetts</p> <p>The board consists of one member from each New England state, appointed by the Governor or each state.</p>	<p>Advisory.</p> <p>From the NESCOE website:</p> <p>“NESCOE represents the collective perspective of the six New England states in regional electricity matters. NESCOE advances the New England states’ common interest in the provision of electricity to consumers at the lowest possible price over the long-term, consistent with maintaining reliable service and environmental quality.</p> <p>NESCOE focuses on two areas: resource adequacy and system planning and expansion.”</p>	<p>Budget for 2019: \$2,395,513 Budget for 2020: \$2,467,379</p> <p>Source: 2018 Annual Report, dated April 2, 2019</p> <p>http://nescoe.com/wp-content/uploads/2019/04/AnnualReport2018.pdf</p>

Entity	Role and Activities	Funding
<p>Organization of PJM States, Inc. (OPSI)</p> <p>Website: https://opsi.us/</p> <p>OPSI is a non-profit corporation organized in Delaware.</p> <p>The board consists of one retail regulatory commissioner each from the agencies located in Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia.</p>	<p>Advisory.</p> <p>From the OPSI website:</p> <p>“OPSI is an inter-governmental organization of utility regulatory agencies of 14 jurisdictions ... [that] are wholly or partly in the service area of PJM.</p> <p>OPSI’s activities include, but are not limited to, coordinating data/issues analyses and policy formulation related to PJM, its operations, its Independent Market Monitor, and related FERC matters.”</p>	<p>Expenses in 2018: \$669,972</p> <p>Source: Exempt Organization Tax Return for 2018</p> <p>https://opsi.us/wp-content/uploads/2019/10/2018US-XORGANIZATIONOF.PJM-Clnt-V1-1.pdf</p>